

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:

Chapter 11 Case No.

Lehman Brothers Holdings Inc., et al.,

08-13555 (JMP)

Jointly Administered

Debtors.

BALANCE SHEETS
AS OF SEPTEMBER 30, 2013
MANAGEMENT'S DISCUSSION AND ANALYSIS
AND ACCOMPANYING SCHEDULES

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Date: January 27, 2014

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SCHEDULE OF DEBTORS

The following entities (the “Debtors”) filed for bankruptcy in the United States Bankruptcy Court for Southern District of New York (the “Bankruptcy Court”) on the dates indicated below. On December 6, 2011, the Bankruptcy Court confirmed the Modified Third Amended Joint Chapter 11 Plan for Lehman Brothers Holdings Inc. and its Affiliated Debtors (the “Plan”). On March 6, 2012, the “Effective Date” (as defined in the Plan) occurred. The Debtors’ Chapter 11 cases remain open as of the date hereof.

	<u>Case No.</u>	<u>Date Filed</u>
Lehman Brothers Holdings Inc. (“LBHI”).....	08-13555	9/15/2008
LB 745 LLC	08-13600	9/16/2008
PAMI Statler Arms LLC	08-13664	9/23/2008
Lehman Brothers Commodity Services Inc. (“LBCS”)	08-13885	10/3/2008
Lehman Brothers Special Financing Inc. (“LBSF”).....	08-13888	10/3/2008
Lehman Brothers OTC Derivatives Inc. (“LOT”)	08-13893	10/3/2008
Lehman Brothers Derivative Products Inc. (“LBDP”).....	08-13899	10/5/2008
Lehman Commercial Paper Inc. (“LCPI”)	08-13900	10/5/2008
Lehman Brothers Commercial Corporation (“LBCC”).....	08-13901	10/5/2008
Lehman Brothers Financial Products Inc. (“LBFP”).....	08-13902	10/5/2008
Lehman Scottish Finance L.P.....	08-13904	10/5/2008
CES Aviation LLC	08-13905	10/5/2008
CES Aviation V LLC	08-13906	10/5/2008
CES Aviation IX LLC.....	08-13907	10/5/2008
East Dover Limited	08-13908	10/5/2008
Luxembourg Residential Properties Loan Finance S.a.r.l	09-10108	1/7/2009
BNC Mortgage LLC (“BNC”)	09-10137	1/9/2009
LB Rose Ranch LLC	09-10560	2/9/2009
Structured Asset Securities Corporation	09-10558	2/9/2009
LB 2080 Kalakaua Owners LLC.....	09-12516	4/23/2009
Merit LLC (“Merit”)	09-17331	12/14/2009
LB Somerset LLC (“LBS”).....	09-17503	12/22/2009
LB Preferred Somerset LLC (“LBPS”).....	09-17505	12/22/2009

The Company has established an email address to receive questions from readers regarding this presentation. The Company plans to review questions received and for those subjects which the Company determines a response would not (i) violate a confidentiality provision, (ii) place the Company in a competitive or negotiation disadvantage, or (iii) be unduly burdensome, the Company shall endeavor to post a response (maintaining the anonymity of the question origination) on the Epiq website maintained for the Company: www.lehman-docket.com. The Company assumes no obligation to respond to e-mail inquiries. Please email questions in clear language with document references to QUESTIONS@lehmanholdings.com.

**LEHMAN BROTHERS HOLDINGS INC. AND OTHER DEBTORS
AND DEBTOR-CONTROLLED ENTITIES
NOTES TO THE BALANCE SHEETS AS OF SEPTEMBER 30, 2013
(Unaudited)**

Note 1 – Basis of Presentation

The information and data included in the Balance Sheets, the Notes to the Balance Sheets, the Management's Discussion and Analysis and Accompanying Schedules (collectively, the "Balance Sheets") are derived from sources available to the Debtors and Debtor-Controlled Entities (collectively, the "Company"). Debtors and Debtor-Controlled Entities refer to those entities that are directly or indirectly controlled by LBHI and exclude, among others, certain entities (such as Lehman Brothers Inc. ("LBI"), Lehman Brothers International (Europe) ("LBIE") and Lehman Brothers Japan ("LBJ")) that were not managed or controlled by a Debtor as of the Effective Date and are under separate administrations in the U.S. or abroad, including proceedings under the Securities Investor Protection Act (collectively, "Non-Controlled Affiliates"). LBHI (on September 15, 2008) and certain Other Debtors (on various dates, each referred to as the respective "Commencement Dates") filed for protection under Chapter 11 of the Bankruptcy Code and are referred to herein as "Debtors". The Debtors' Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure. Entities that have not filed for protection under Chapter 11 of the Bankruptcy Code are referred to herein as "Debtor-Controlled Entities", although they may be a party to other proceedings, including among other things, foreign liquidations or other receiverships. The Company has prepared the Balance Sheets based on the information available to the Company at this time; however, such information may be incomplete and may be materially deficient. The Balance Sheets are not meant to be relied upon as a complete description of the Company, its business, condition (financial or otherwise), results of operations, prospects, assets or liabilities. The Company reserves all rights to revise this report.

The Balance Sheets should be read in conjunction with previously filed 2013+ Cash Flow Estimates, Form 8-K reports as filed with the United States Securities and Exchange Commission ("SEC") and other filings including the Plan and related Disclosure Statement (the "Disclosure Statement"), dated August 31, 2011, made after the Commencement Dates as filed with various regulatory agencies or the Bankruptcy Court by LBHI, Other Debtors and Debtor-Controlled Entities. The 2013+ Cash Flow Estimates reflect the estimated realizable values which differ from the amounts recorded in the Balance Sheets and adjustments (including write-downs and write-offs) may be material and recorded in future Balance Sheets. The Balance Sheets are not prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP").

The Balance Sheets do not reflect normal period-end adjustments, including accruals, that were generally recorded by the Company prior to the filing of the Chapter 11 cases upon review of major accounts as of the end of each quarterly and annual accounting period. The Balance Sheets do not include explanatory footnotes and other disclosures required under GAAP and are not presented in a GAAP-based SEC reporting format. Certain classifications utilized in the Balance Sheets differ from prior report classifications; accordingly amounts may not be comparable. Certain items presented in the Balance Sheets remain under continuing review by the Company and may be accounted for differently in future Balance Sheets. Accordingly, the financial information herein is subject to change and any such change may be material.

The Balance Sheets do not reflect certain off-balance sheet commitments, including, but not limited to, those relating to real estate and private equity partnerships, and other agreements, and contingencies made by the Company.

The Balance Sheets are not audited and will not be subject to audit or review by external auditors at any time in the future.

Note 2 – Use of Estimates

In preparing the Balance Sheets, the Company makes various estimates that affect reported amounts and disclosures. Broadly, those estimates are used in measuring fair values or expected recoverable amounts of certain financial instruments and other assets and establishing claims amounts and various reserves.

Estimates are based on available information and judgment. Therefore, actual results could differ from estimates and may have a material effect on the Balance Sheets thereto. As more information becomes available to the Company, including the outcome of various negotiations and litigation, it is expected that estimates will be revised.

Note 3 – Cash and Short-Term Investments

Cash and short-term investments include demand deposits, interest-bearing deposits with banks, U.S. and foreign money-market funds, U.S. government obligations, U.S. government guaranteed securities, investment grade corporate bonds and commercial paper, and AAA-rated asset-backed securities secured by auto loans and credit card receivables. The majority of the short-term investments mature by December 31, 2013.

Note 4 – Cash and Short-Term Investments Pledged or Restricted

The following table summarizes the components of restricted cash as of September 30, 2013:

(\$ in millions)	Debtors					Debtor- Controlled Entities	Total Debtors and Debtor- Controlled Entities
	LBHI	LBSF	LCPI	Other	Total		
Reserves for Claims:							
Disputed unsecured claims	\$ 2,108	\$ 2,528	\$ 28	\$ 954	\$ 5,618	\$ -	\$ 5,618
Priority tax claims	2,198	117	0	5	2,320	-	2,320
Distributions on Allowed Claims (not remitted) ⁽¹⁾	170	55	220	3	449	-	449
Secured, Admin, Priority Claims and Other ⁽²⁾	1,340	14	80	23	1,456	-	1,456
Subtotal, Claims Reserves	5,816	2,714	328	985	9,843	-	9,843
Cash pledged to JPMorgan (CDA) ⁽³⁾	316	-	-	-	316	-	316
Citigroup and HSBC ⁽⁴⁾	2,038	-	-	-	2,038	-	2,038
Other ⁽⁵⁾	216	1	54	55	326	68	394
Total	\$ 8,387	\$ 2,714	\$ 382	\$ 1,040	\$ 12,524	\$ 68	\$ 12,591

Totals may not foot due to rounding.

- (1) Represents unpaid Plan distributions to creditors with Allowed Claims of approximately \$372 million for distributions held pending resolution of various items described in settlement agreements with certain Non-Controlled Affiliates and approximately \$77 million related to (i) claimants who failed to submit the proper taxpayer identification number forms and/or Office of Foreign Asset Control (“OFAC”) forms and (ii) resolution of other open items.
- (2) Represents (i) approximately \$1.2 billion reserved at LBHI for a disputed claim of the Federal Home Loan Mortgage Corporation that was asserted with priority status, (ii) post-petition intercompany payables of \$186 million, (iii) disputed secured claims of \$19 million, (iv) administrative claims of \$4 million, and (v) other administrative activities and other of \$42 million.
- (3) Represents \$316 million of cash deposited into accounts by LBHI and pledged to JPMorgan (including its affiliates, “JPM”) pursuant to paragraph 6(b) of the Collateral Disposition Agreement (“CDA”) with JPM effective March 31, 2010, related to, but not limited to, clearance exposures and derivative exposures pending resolution of these items.
- (4) Represents cash deposited on or prior to the Commencement Dates by the Company in connection with certain requests and/or documents executed by the Company and Citigroup Inc. (\$2,007 million) and HSBC Bank PLC (\$31 million). The Company has recorded reserves against this cash in Secured Claims Payable to Third Parties as of September 30, 2013, because these institutions have asserted claims. The Company is in discussions with HSBC Bank and commenced litigation against Citigroup regarding these deposits. Accordingly, adjustments (netting against outstanding claims), which may be material, may be reflected in future Balance Sheets.
- (5) Other includes: (i) \$98 million related to various pre-petition balances on administrative hold by certain financial institutions, (ii) \$69 million related to misdirected wires and other cash received by LBHI for the benefit of third parties and Non-Controlled Affiliates (reported as a payable), (iii) \$50 million of cash collected by LCPI on behalf of a third party related to a loan participation agreement, (iv) \$30 million of cash collected by LOTC from LBI and held as restricted pending resolution of claims with third parties, (v) \$25 million of cash at Lehman Brothers Bancorp Inc. (“LBB”) related to certain guarantee agreements entered into by LBB in connection with various Aurora Commercial Corp. asset sales, (vi) cash collected by LBHI from LBC Y.K., a Non-Controlled Affiliate, on behalf of PAMI ALI LLC of \$46 million, and (vii) \$76 million primarily related to other miscellaneous items.

Note 5 – Financial Instruments and Other Inventory Positions

Financial instruments and other inventory positions are presented at fair value except, as described below, for certain Private Equity/Principal Investments and Derivative assets. Fair value is determined by utilizing observable prices or pricing models based on a series of inputs to determine the present value of future cash flows. The fair value measurements used to record the financial instruments described below may not be in compliance with GAAP requirements.

The values of the Company’s financial instruments and other inventory positions (recorded on the Balance Sheets) may be impacted by market conditions. Accordingly, adjustments to recorded values, which may be material, may be reflected in future balance sheets.

Kingfisher Securitization

Kingfisher CLO Ltd. (“Kingfisher”) was a CLO transaction backed by a portfolio of loans and bonds issued by Asian borrowers. The Class A Notes were held by LCPI and the Class B and C Notes were transferred to LBHI as part of an overall settlement with LBIE. In the third quarter of 2013, the Kingfisher securitization was terminated and the underlying collateral, consisting of (i) unsettled claims against Lehman Brothers Commercial Corp. Asia Limited, a non-controlled affiliate, of approximately \$785 million, (ii) an unsettled guarantee claim against LBHI (subsequently withdrawn) of approximately \$841 million, and (iii) various miscellaneous assets, were distributed to LBHI. As consideration, LBHI issued a secured intercompany note to LCPI for the current unpaid principal balance of the Class A Notes of approximately \$408 million.

Verano Securitization

Verano CCS Ltd. (“Verano”) was a CLO transaction backed by a portfolio of corporate and mortgage loans. The Class A Notes and Mezzanine Notes were held by LBHI and the Subordinated Notes were held by LCPI. In the third quarter of 2013, the Verano securitization was terminated and the underlying collateral supporting the Verano Notes were transferred to LCPI. As consideration, LCPI issued a secured intercompany note to LBHI for the unpaid face value of the Mezzanine Notes at the time of termination.

Certain entities have instituted hedging programs in order to protect (i) the value of certain derivatives transactions that have not been terminated by counterparties, and (ii) against the loss of value from fluctuations in foreign exchange rates in real estate, derivatives, commercial loans and receivables from certain foreign affiliates. The cash posted as collateral, net of gains or losses on hedging positions is reflected on the Company’s Balance Sheets as of September 30, 2013 in “Derivatives Receivables and Related Assets” for approximately \$46 million and in “Receivables from Controlled Affiliates and other assets” for approximately \$64 million.

Commercial Real Estate

Commercial Real Estate includes whole loans, real estate owned properties, joint venture equity interests in commercial properties, shares in the common stock of AvalonBay Communities Inc. (“AVB”) and Equity Residential (“EQR”) (collectively, the shares in AVB and EQR, the “REIT Shares”), and other real estate related investments. The commercial real estate portfolio, other than the REIT Shares, was valued as of June 30, 2013 adjusted for cash activity from July 1, 2013 to September 30, 2013. The valuations of the commercial real estate portfolio, other than the REIT Shares, utilize pricing models (in some cases provided by third parties), which incorporate estimated future cash flows, including satisfying obligations to third parties, discounted back at rates based on certain market assumptions. In many cases, inputs to the pricing models consider brokers’ opinions of value and third party analyses. The REIT Shares are valued based on EQR’s and AVB’s closing price on the New York Stock Exchange on September 30, 2013.

On February 27, 2013, the Company sold all of the assets and transferred substantially all of the liabilities of Archstone Enterprise LP (n/k/a Jupiter Enterprise LP, “Archstone”) to EQR and AVB for \$2.685 billion in cash, before transaction costs, and 34,468,085 shares of EQR common stock and 14,889,706 shares of AVB common stock.

In May 2013, the Company sold approximately 53% and 44% of its stakes in AVB and EQR, respectively, through a secondary offering for net cash proceeds of approximately \$1.95 billion. The proceeds were subsequently used to pay down the preferred equity interests (“Preferred Equity”) of Jupiter Enterprise LP (“Jupiter”) held by various LBHI Controlled Entities. As of September 30, 2013, the remaining balance of the Preferred Equity, including accrued paid-in-kind interest, was approximately \$1.8 billion. The Preferred Equity is owned by the following Debtors and Debtor-Controlled Entities: (i) 59% by LCPI, including 38% through its wholly-owned subsidiaries ACQ SPV I Paper LLC and ACQ SPV II Paper LLC (“Acquisition Entities”), (ii) 20% by Lux Residential Properties Loan Finance SARL, (iii) 15% by LBHI, through its wholly-owned subsidiary ACQ SPV I Holdings LLC, and (iv) 6% by other Debtor-Controlled Entities. LCPI, through its wholly-owned subsidiaries, Property Asset Management Inc. and Acquisition Entities, holds substantially all of the common equity interest in Jupiter. The LBHI controlled entities’ preferred and common equity interests in Jupiter (previously known as Archstone Enterprise LP) were computed in accordance with the order and priority of the equity interests as set forth in section 4.2 of the Jupiter Enterprise LP Agreement.

In May 2013, the preferred interests in SASCO 2008-C2, LLC (“SASCO”), a Debtor-Controlled entity, owned by LBHI and LCPI were paid in full. As a result, the commercial real estate assets which had been held in LCPI for the benefit of SASCO are reflected as unencumbered on LCPI’s Balance Sheets as of September 30, 2013. LCPI’s equity interest in SASCO of \$177 million is reflected in “Investments in Affiliates”.

Loans and Residential Real Estate

Loans primarily consist of commercial term loans and revolving credit facilities with fixed maturity dates and are contingent on certain representations and contractual conditions applicable to each of the various borrowers. Loans are recorded at fair value. Residential Real Estate includes whole loans, real estate owned properties, and other real estate related investments. Valuations for residential real estate assets are based on third party valuations, including observable prices for similar assets, and/or internal valuation models utilizing discounted future cash flow estimates.

Private Equity / Principal Investments

Private Equity/Principal Investments include equity and fixed-income direct investments in companies, and general partner and limited partner interests in investment fund vehicles (including private equity) and in related funds. Private equity/principal investments and general partner interests are primarily valued utilizing discounted cash flows and comparable trading and transaction multiples. Publicly listed equity securities are valued at period end quoted prices unless there is a contractual limitation or lock-up on the Company's ability to sell in which case a discount is applied. Fixed-income principal investments are primarily valued utilizing market trading, comparable spreads and yields, and recovery analysis. Limited partner interests in private equity and hedge funds are valued at the net asset value unless an impairment is assessed. Certain positions are subject to confidentiality restrictions and transfer restrictions for which the Company may need consent from sponsors, general partners and/or portfolio companies in order to (i) share information regarding such positions with prospective buyers and/or (ii) transfer such positions to a buyer.

The investment in Neuberger Berman Group LLC ("NBG") reflects the Company's common equity interest. Pursuant to an agreement, in March 2013 the Company sold back to NBG 193,492 of the Company's Class A Units in NBG for \$121 million. The Company received \$106 million in cash and the remaining balance of \$15 million is reflected in Receivables from Controlled Affiliates and other assets. The NBG common equity interests are beneficially owned by LBHI and several Debtor-Controlled entities.

Derivatives Assets and Derivatives Liabilities

Derivatives assets and derivatives liabilities (reflected in Liabilities Subject to Compromise in the Balance Sheets) represent amounts due from/to counterparties related to matured, terminated and open trades and are recorded at expected recovery/claim amounts, net of cash and securities collateral.

The expected recovery and the expected claim amounts are determined using various models, data sources, and certain assumptions regarding contract provisions. Such amounts reflect the Company's current estimate of expected values taking into consideration continued analysis of positions taken and valuation assumptions made by counterparties, negotiation and realization history since the beginning of the Chapter 11 cases, and an assessment of the legal uncertainties of certain contract provisions associated with subordination and set off. The Company will continue to review amounts recorded for the derivatives assets and liabilities in the future as the Company obtains greater clarity on the issues referred to above including the results of negotiated and/or litigation settlements of allowed claims; accordingly, adjustments which may be material may be recorded in future balance sheets.

Derivatives claims are recorded (i) in cases where claims have been resolved, at values agreed by the Company and (ii) in cases where claims have not been resolved, at estimated claim amounts to be allowed by the Company. Derivative claims recorded by LBSF include (i) JPM claims transferred to LBHI under the CDA (defined below) and (ii) LBSF's obligations under the RACERS swaps.

Note 6 – Subrogated Receivables from Affiliates and Third Parties - JPMorgan Collateral Disposition Agreement

The Company and JPM entered into a Collateral Disposition Agreement that became effective on March 31, 2010 (the "CDA"). The CDA provided for a provisional settlement of JPM's claims against the Debtors and LBHI's subrogation to JPM's alleged secured claims against LBI and certain other Affiliates. It also provided for the transfer of a portion of the collateral (RACERS Notes and other illiquid collateral) held by JPM that related to LBHI as subrogee to LBI (the "Subrogated Collateral"). Prior to the effective date of the LBI Settlement Agreement, LBHI had a receivable balance of approximately \$6.5 billion (the "Subrogated Receivables"), comprised primarily of approximately \$4.2 billion from LBI and approximately \$1.7 billion from LBSF.

In accordance with the LBI Settlement Agreement (as defined in Note 9 – Due from/to Affiliates) between LBHI and certain of its Debtor and Debtor-Controlled entities and LBI, LBI waived any rights to any proceeds of the Subrogated Collateral. As a result, LBHI reduced the portion of the Subrogated Receivables related to LBI of \$4.2 billion and reflected the Subrogated Collateral with an equivalent value of \$4.2 billion in the Balance Sheets as follows:

- (i) the Subrogated Collateral (excluding the RACERS Notes) in Financial Instruments and other inventory positions (consisting of residential mortgage backed securities) in the amount of \$0.1 billion;
- (ii) a General Unsecured Claim against LBI of \$1.5 billion in Due from Non-Controlled Affiliates; and
- (iii) a \$2.6 billion receivable in Due From Controlled Affiliates for the allowed claims that the Racers Structure asserted against LCPI, LBSF and LBHI in the face amounts of \$5.0 billion, \$1.9 billion and \$1.9 billion, respectively ("RACERS Claims").

The "Subrogated Receivables from Affiliates and Third Parties" balance of approximately \$2.1 billion as of September 30, 2013 consists primarily of receivables from LBSF of \$1.7 billion and other Affiliates of \$0.4 billion.

The ultimate recovery by LBHI will be determined by a number of factors including the distribution percentages by LBI, LBHI, LBSF, and LCPI to their respective unsecured creditors, the resolution of the JPM derivatives claim asserted against LBSF and LBHI, the proceeds from the Subrogated Collateral, and the resolution of litigation with JPM. It is likely that the ultimate recoveries will be substantially less than the Subrogated Receivables value, and accordingly, adjustments (including write-downs and write-offs) may be material and recorded in future Balance Sheets.

Note 7 – Receivables from Controlled Affiliates and Other Assets

Receivables from Controlled Affiliates and Others Assets reflects certain post-petition activities, including: (i) receivables from controlled affiliates for activities amongst Debtors and Debtor-Controlled Entities for intercompany cash transfers (further described below), encumbered inventory, and administrative expense allocations totaling approximately \$3.0 billion with the corresponding liability in Payables to Controlled Affiliates and other liabilities and (ii) other assets totaling approximately \$353 million.

The following table summarizes the main components of Receivables from Controlled Affiliates and Other Assets as of September 30, 2013:

\$ in millions	Debtors					Debtor- Controlled Entities	Total Debtors and Debtor- Controlled Entities
	LBHI	LCPI	LBSF	Other Debtors	Total		
Encumbered Financial Inventory ⁽¹⁾	\$ -	\$ 275	\$ -	\$ -	\$ 275	\$ -	\$ 275
PIK Notes ⁽²⁾	30	-	-	243	274	-	274
Fundings for tax reserves at LBHI	-	267	221	9	497	695	1,192
Fundings and other activities ⁽³⁾	477	424	50	67	1,018	259	1,276
Receivables from Controlled Affiliates	508	966	270	320	2,063	954	3,017
Receivable from Fenway ⁽⁴⁾	157	-	-	-	157	-	157
Derivative Hedges	49	15	-	-	64	-	64
Receivable for unsettled sales of PEPI assets	4	-	-	-	4	17	21
Foreign asset backed securities	16	-	-	-	16	-	16
Dividends Receivable	-	-	-	-	-	15	15
Other	30	8	(0)	3	41	39	81
Total Other Assets	256	23	(0)	3	282	71	353
Total Receivables from Controlled Affiliates and Other Assets	\$ 763	\$ 989	\$ 270	\$ 323	\$ 2,345	\$ 1,026	\$ 3,371

(1) Represents "Private Equity/Principal Investment" assets encumbered to LCPI.

(2) Represents LOTC's and LBHI's portion of the PIK Notes issued by Lehman ALI Inc. ("ALI"), net of \$41 million distributions. LBSF has recorded the outstanding amount of PIK Notes issued by ALI in Derivative Receivables and Related Assets (refer to the LBI Settlement Agreement in Note 9 – Due from/to Affiliates for additional information).

(3) Includes (i) \$58 million in LBHI related to the "Modified Settlement with respect to the Variable Funding Trust" [Docket No. 19370]; (ii) \$381 million secured receivable in LCPI from LBHI related to the unwind of the Kingfisher structure (refer to Note 5 – Financial Instruments and Other Inventory Positions for additional information); and (iii) \$419 million primarily related to fundings by LBHI and cost allocations.

(4) Unsecured claims asserted by LBHI against LCPI based on the Fenway transactions, as disclosed in the Section 6.5 (h) of the Plan, net of \$73 million payments received by LBHI as a result of Plan distributions.

Costs Allocation

Administrative expenses related to obligations for certain administrative services and bankruptcy related costs are initially paid by LBHI then allocated to significant Debtor and Debtor-Controlled Entities. The methodology for allocating such expenses is under periodic review by the Company, and a revised methodology was implemented for expenses disbursed beginning April 1, 2012 (the "Post-Effective Methodology"), and the resulting allocations are reflected in the accompanying Balance Sheets. The Post-Effective Methodology categorizes and allocates administrative expenses as follows:

- (i) Costs directly attributable to specific legal entities, such as dedicated staff costs and professional fees associated with assets or legal matters which benefit specific legal entities, are directly assigned to the corresponding legal entities;
- (ii) Costs attributable to the support and management of specific asset portfolios, such as asset management staff, professional fees and technology costs to support the asset portfolios, are allocated to legal entities based on the pro rata ownership of inventory within each asset portfolio;
- (iii) Restructuring costs associated with claims mitigation, distributions, and other bankruptcy-related activities are allocated to Debtor legal entities based on a combination of outstanding unresolved claims and cumulative distributions; and
- (iv) All remaining administrative costs are allocated to legal entities based on a combination of net cash receipts, pro rata ownership of inventory, and outstanding unresolved claims.

The Company continually reviews the methodology for allocating costs, and adjustments, which may be material, may be reflected in future Balance Sheets.

The Debtor Allocation Agreement, which became effective on the Effective Date, provided, among other things, for an allowed administrative expense claim of LBSF against LBHI in the amount of \$300 million as a credit against any allocation of administrative costs. As a result, LBSF's allocated costs of \$300 million have been offset against this credit as of September 30, 2013. For further information on the Debtor Allocation Agreement, refer to Article VI of the Plan.

Intercompany Cash Transfers

Debtors and Debtor-Controlled Entities have engaged in cash transfers and transactions between one another. These transfers and transactions are primarily to support activities on behalf of certain Debtors and Debtor-Controlled Entities that may not have adequate liquidity for such things as funding private equity capital calls, restructuring certain investments, or paying operating expenses. For advances above a certain minimum dollar amount, the transferring Debtor is entitled to a promissory note accruing interest and where available, collateral to secure the advanced funds. Since September 15, 2008, LBHI has advanced funds to, or incurred expenses on behalf of, certain Debtor-Controlled Entities. Similarly, LBHI and LCPI have received cash on behalf of Other Debtors and Debtor-Controlled Entities, most often in cases where the Other Debtors or Debtor-Controlled Entities have sold an asset and may not have a bank account to hold the proceeds received in the sale.

Note 8 – Investments in Affiliates

Investments in Affiliates are reflected in the Balance Sheets at book values and Debtors and Debtor-Controlled Entities that incurred cumulative net operating losses in excess of capital contributions are reflected as a negative amount. The earnings or losses of Debtors owned by (i) Other Debtors (e.g. LBCS is a direct subsidiary of LBSF) or (ii) Debtor-Controlled Entities (e.g. LCPI is a direct subsidiary of Lehman ALI Inc., "ALI") and the earnings or losses of Debtor-Controlled Entities owned by a Debtor (e.g. ALI is a direct subsidiary of LBHI) are not eliminated in the Balance Sheets and as a result, the Investments in Affiliates reflect the earnings or losses of Debtors and certain Debtor-Controlled Entities more than once. Adjustments to Investments in Affiliates may be required in future Balance Sheets (including write-downs and write-offs), as amounts ultimately realized may vary materially from amounts reflected on the Balance Sheets.

Controlled Entities – Aurora Commercial Corp.

The investment in Aurora Commercial Corp. (formerly known as Aurora Bank FSB) ("Aurora" or "ACC"), a wholly owned subsidiary of LBB, which is a wholly owned subsidiary of LBHI is reflected in LBB's Balance Sheets, on a consolidated basis. The ultimate amounts realized for Aurora may be adjusted (including write-downs and write-offs) in future Balance Sheets which may vary materially from the amount reflected on the Balance Sheets due to significant costs to wind down and other potential liabilities.

In connection with the various Aurora asset sales, LBB entered into certain guarantee agreements with the respective purchasers of the Aurora assets. In accordance with the terms of those agreements, LBB is potentially liable for an aggregate amount up to a maximum of \$100 million, if Aurora fails to perform under its indemnity obligations to the purchasers of its assets. In addition, LBB is required to maintain cash, marketable securities and other liquid assets in an aggregate amount of not less than \$125 million and a minimum stockholders' equity equal to the maximum liability under the guarantees until termination, to occur upon the earlier of (i) the payment and performance in full of the guaranteed obligations and other amounts payable under the guarantees, (ii) the termination or expiration of all guaranteed obligations in accordance with the terms of the purchase agreements, (iii) the amount of LBB's liability being reduced to zero, and (iv) the third anniversary of the closing date.

On April 13, 2011, the OTS, the OCC and the Federal Reserve Board entered into consent orders with fourteen servicers, including Aurora (the "April 2011 Consent Order"), that identified certain deficiencies in the residential mortgage servicing and foreclosure processes conducted by Aurora and among other things, set forth requirements for compliance with residential mortgage servicing standards and required an Independent Foreclosure Review consisting of a review by an independent consultant of foreclosure actions and proceedings pending between January 1, 2009 and December 31, 2010 (the "IFR Process").

On February 28, 2013, the OCC issued an Amendment to the April 2011 Consent Order which required Aurora to pay \$93.2 million in cash and perform certain foreclosure prevention obligations, which the OCC has separately confirmed could be satisfied by the payment of \$14.8 million, for an aggregate amount of \$108 million. In March 2013, Aurora made these settlement payments, thus resolving the IFR Process and releasing Aurora from monetary penalties under the April 2011 Consent Order subject to certain conditions. The OCC terminated the April 2011 Consent Order and the Amendment to the April 2011 Consent Order. It is possible that various local, state or federal regulatory agencies, law enforcement authorities, servicing agreement counterparties or other parties may seek compensation, monetary penalties and other forms of relief or penalties from Aurora or Aurora Loan Services LLC relating to foreclosure practices. Aurora is unable to reasonably estimate the possible loss or range of loss from claims that may arise from Aurora's historical mortgage foreclosure practices.

On June 5, 2013, Aurora surrendered its federal savings bank charter and merged into ACC, a newly formed non-bank subsidiary of LBB. Through the merger, ACC assumed all of Aurora's remaining assets, liabilities and commitments. As a result, LBHI and its subsidiary, LBB, no longer directly or indirectly control any savings association or other insured depository institution and were released from registration as savings and loan holding companies.

Non-Controlled Affiliates

All investments in Non-Controlled Affiliates were written off in 2011 as the Company deemed recovery on these equity investments unlikely to occur due to the bankruptcy proceedings of the entities in their local jurisdictions.

Note 9 – Due from/to Affiliates

Due from/to Affiliates represents (i) receivables for transactions among Debtors, Debtor-Controlled Entities and Non-Controlled Affiliates (separately or collectively, “Affiliates”) and (ii) payables by Debtor-Controlled Entities to Debtors and to Non-Controlled Affiliates. Certain balances are reflected in “Due from” and “Due to” as a result of certain assignments of claims against the Debtor and therefore are not netted. When applicable, these balances are net of cash distributions.

The following table summarizes the Due from/to Controlled Affiliates by counterparty for LBHI, LBSF and LCPI as of September 30, 2013:

\$ in millions	LBHI		LBSF		LCPI	
	Due from	Due to ⁽¹⁾	Due from	Due to ⁽¹⁾	Due from	Due to ⁽¹⁾
Lehman Brothers Holdings Inc	\$ -	\$ -	\$ -	\$ (14,465)	\$ 40	\$ (12,589)
LB Special Financing Inc	14,465	(0)	-	-	91	(659)
Lehman Commercial Paper Inc	12,589	(40)	659	(91)	-	-
LB Commodity Services Inc	822	(41)	-	(323)	-	(4)
LB Commercial Corporation	137	(19)	71	-	229	-
Structured Asset Securities Corp	485	-	0	-	-	(404)
Merit, LLC	-	(19)	-	(16)	233	-
LB Re Financing No1 Limited	7,294	-	-	-	-	-
LB I Group Inc	2,942	(1)	12	-	82	-
RACERS Claim ⁽²⁾	2,624	-	-	-	-	-
Pami ALI LLC	2,152	(83)	1	-	1,006	-
314 Commonwealth Ave Inc	1,635	(18)	-	(2)	-	-
Luxembourg Finance Sarl	833	-	28	-	-	-
Ars Holdings II LLC	675	-	-	-	-	-
Real Estate Private Equity Inc	694	-	-	-	-	-
LB Offshore Partners LTD	538	-	-	(0)	1	-
Lehman ALI Inc	-	(3,091)	-	(0)	3,207	-
LCPI Properties Inc	-	(646)	-	-	-	-
DL Mortgage Corp	-	(240)	0	-	821	-
Other	3,052	(2,178)	322	(40)	452	(532)
	\$ 50,936	\$ (6,377)	\$ 1,093	\$ (14,937)	\$ 6,163	\$ (14,188)

(1) "Due to" balances with Controlled Entities are reflected in Liabilities Subject to Compromise on the September 30, 2013 Balance Sheets.

(2) For further discussion of RACERS Claims refer to Note 6 – Subrogated Receivables from Affiliates and Third Parties.

The following table summarizes the Due from/to Non-Controlled Affiliates by counterparty for LBHI, LBSF and LCPI as of September 30, 2013:

\$ in millions	LBHI		LBSF ⁽¹⁾		LCPI	
	Due from ⁽⁶⁾	Due to ⁽³⁾	Due from ⁽⁶⁾	Due to ⁽³⁾	Due from ⁽⁶⁾	Due to ⁽³⁾
Lehman Brothers Treasury Co BV.	\$ -	\$ (30,517)	\$ 903	\$ -	\$ -	\$ -
Lehman Brothers Finance S.A. ⁽²⁾	14,325	-	0	(64)	0	-
Lehman Brothers Inc. ⁽⁵⁾	6,034	-	-	-	28	-
Lehman Brothers Bankhaus A.G.	-	(6,546)	-	(182)	-	(1,182)
Lehman Brothers Asia Holding Limited	6,061	-	-	(27)	-	(151)
LB RE Financing No.2 Limited	0	(5,998)	-	-	-	-
Lehman Brothers Securities NV	-	(4,571)	-	(57)	-	-
LB UK Financing Ltd	3,469	-	-	-	-	-
LB SF No.1 Ltd	-	(2,540)	2	-	-	-
Lehman Brothers (Luxembourg) S.A.	1,006	-	-	-	-	-
Lehman Brothers International (Europe) Inc.	24	(1,176)	-	(682)	8	-
LB Commercial Corp. Asia Limited	1,763	-	12	-	-	(1)
LB RE Financing No.3 Limited	-	-	572	-	-	-
Lehman Re Limited	-	(370)	-	(19)	-	(323)
LB UK RE Holdings Limited	423	-	13	-	-	(6)
Lehman Brother Japan Inc.	-	(146)	-	(163)	-	-
Other ⁽⁴⁾	2,221	(4,371)	53	(165)	197	(325)
Total	\$ 35,326	\$ (56,236)	\$ 1,555	\$ (1,358)	\$ 233	\$ (1,988)

- (1) LBSF payable to Lehman Brothers Bankhaus A.G. ("Bankhaus") includes approximately \$7 million of secured payables reported on the Balance Sheets in Secured Claims Payable to Third Parties.
- (2) Balances with Lehman Brothers Finance S.A. ("LBF") reflect historical balances and does not reflect the settlement agreement entered into with LBF in April 2013 [Docket No. 36300], as the settlement agreement is still subject to certain closing conditions.
- (3) "Due to" balances with Non-Controlled Entities are reflected in Liabilities Subject to Compromise on the September 30, 2013 Balance Sheets.
- (4) Other includes balances with counterparties that have settled or are being managed by a third party liquidator.
- (5) LBHI balance with Lehman Brothers Inc. ("LBI") includes a General Unsecured Claim against LBI of \$1.5 billion related to the subrogated claim of JPM against LBI.
- (6) "Due From" balances are recorded in the local currency of the Non-Controlled Entity and as a result, balances fluctuate as a result of changes in foreign exchange rates.

The Balance Sheets do not reflect potential realization or collectability reserves on the Due from Affiliates or an estimate of potential additional payables to Affiliates, as the aforementioned potential reserves or liabilities are not yet determinable. As a result, adjustments (including write-downs and write-offs) to Due from Affiliates may be recorded in future Balance Sheets.

LBHI Settlement Agreement

LBHI and certain of its Debtor and Debtor-Controlled entities and LBI entered into an agreement ("Settlement Agreement") to settle all intercompany claims between them. The Settlement Agreement was approved by the Bankruptcy Court in the LBI SIPA proceeding and became effective on June 7, 2013. As part of the resolution, LBHI, LBI and LBIE agreed to a protocol for the settlement of claims remaining against the LBI estate as the SIPA trustee focuses on liquidating remaining assets and the allowance of general estate claims. For further information, see the original Motion [Docket #5784] filed by LBI and related subsequent court filings.

The terms of the Settlement Agreement for the major Debtors and Debtor-Controlled are reflected in the following table:

\$ in millions	Customer Claims				General Unsecured Claims		
	Cash ⁽¹⁾	Securities ⁽¹⁾	PIK Notes ⁽²⁾	Total	Other ⁽³⁾	Total	
LBHI	\$ 143	\$ 1	\$ 35	\$ 179	\$ 10,216	\$ 1,740	\$ 12,135
LBSF	113	71	35	219	-	-	219
LBCS ⁽⁴⁾	32	-	-	32	920	-	952
LOTG	1,008	52	280	1,340	178	-	1,518
LBCC	11	-	-	11	733	8	752
Woodlands	524	0	-	524	-	-	524
LB I Group	-	-	-	-	-	-	-
LPTSI	132	25	-	157	58	-	215

- (1) Customer Claims include cash and securities received in June 2013 as part of the LBI Settlement. Certain cash and securities received from LBI for LOTG (not included in the above table) are held as restricted and segregated until issues between LOTG and certain third party counterparties are resolved. Certain of these securities were subsequently sold and the remaining positions are reflected in financial instruments.
- (2) On September 19, 2008, prior to the commencement of proceedings pursuant to the Securities Investor Protection Act of 1970 ("SIPA"), LBI transferred virtually all of its subsidiaries to ALI, a subsidiary of LBHI, in exchange for paid-in-kind promissory notes ("PIK Notes"). Pursuant to the Settlement Agreement, the PIK Notes are being settled at \$350 million and assigned to LOTG, LBHI and LBSF in lieu of cash distributions from LBI on a portion of the allowed customer claims. Accordingly, (i) Lehman ALI recorded \$350 million in Payables to Controlled Affiliates and Other Liabilities for the PIK Notes, (ii) LBSF recorded a receivable of \$35 million in Derivatives Receivables and Related Assets, and (iii) LBHI and LOTG recorded receivables of \$35 million and \$280 million, respectively, in Receivables from Controlled Affiliates and other assets.
- (3) Other includes (i) an allowed General Unsecured Claim of \$1.5 billion related to the subrogated claim of JPM against LBI, which is included in Due from Affiliates – Non-Controlled Affiliates; and (ii) a priority claim of \$240 million related to certain tax-related disputes.
- (4) LBCS had recorded receivables from LBI, as its clearing Chicago Mercantile Exchange ("CME") member, related to certain LBCS's derivative trades and related collateral processed through the CME. Per the Settlement Agreement, LBI allowed a General Unsecured Claim for the net liquidation value of commodity accounts held at LBI. LBI and LBCS agreed to a Disputed Amended Claim Adjustment (\$32 million), received as part of the Settlement Agreement, in order to resolve the dispute that LBCS timely asserted certain claims related to exchange traded derivatives as customer claims.

Note 10 – Payables to Controlled Affiliates and Other Liabilities

Payables to Controlled Affiliates and Others Liabilities reflects: (i) payables to controlled affiliates for activities amongst Debtors and Debtor-Controlled Entities for cash transfers, encumbered inventory and administrative expenses allocation totaling approximately \$3.0 billion with the corresponding receivables in Receivables from Controlled Affiliates and Other Assets and (ii) other liabilities totaling approximately \$755 million. The following table summarizes the main components of Payables to Controlled Affiliates and Other Liabilities as of September 30, 2013:

\$ in millions	Debtors					Debtor- Controlled Entities	Total Debtors and Debtor- Controlled Entities
	LBHI	LCPI	LBSF	Other Debtors	Total		
Encumbered Financial Inventory ⁽¹⁾	\$ 0	\$ -	\$ -	\$ -	\$ 0	\$ 275	\$ 275
PIK Notes ⁽²⁾	-	-	-	-	-	304	304
Fundings for tax reserves at LBHI	1,192	-	-	-	1,192	-	1,192
Fundings and other activities ⁽³⁾	758	81	0	24	864	413	1,277
Payables to Controlled Affiliates	1,951	81	0	24	2,056	992	3,048
Distributions on Allowed Claims (not remitted)	170	220	55	3	449	-	449
Misdirected wires	69	-	-	-	69	-	69
Other	39	83	(0)	31	153	84	237
Total Other Liabilities	279	304	55	34	671	84	755
Total Payables to Controlled Affiliates and other liabilities	\$ 2,229	\$ 385	\$ 55	\$ 58	\$ 2,727	\$ 1,076	\$ 3,803

- (1) Represents "Private Equity/Principal Investment" assets encumbered to LCPI.
- (2) Represents a secured payable from ALI to LOTC, LBHI, and LBSF related to the PIK Notes (refer to the LBI Settlement Agreement in Note 9 – Due from/to Affiliates for additional information).
- (3) Includes \$58 million at LCPI related to the "Modified Settlement with respect to the Variable Funding Trust" [Docket No. 19370]; (ii) \$381 million secured payable at LBHI to LCPI related to the unwind of the Kingfisher structure (refer to Note 5 – Financial Instruments and Other Inventory Positions for additional information); and (iii) \$419 million primarily related to fundings by LBHI and cost allocations.

Note 11 – Taxes Payable

As of September 30, 2013, the Company has recorded an estimate of approximately \$1.15 billion for potential amounts owed to federal, state, and local taxing authorities, net of the refund claims and the anticipated five-year federal NOL carryback.

LBHI has a historical receivable, adjusted for certain activities, for the estimated amount of LBI's portion of those taxes. In February 2013, a global settlement was reached on all intercompany transactions between LBHI and LBI. The settlement as it pertains to tax generally covers all pre-petition consolidated federal/combined state as well as consolidated federal/combined state post-petition liabilities through ultimate deconsolidation of LBI from the tax group.

The Debtor Allocation Agreement, which became effective on the Effective Date, includes the following key tax-related provisions: (i) additional claims among the Debtors will be allowed in order to reflect the appropriate allocation of any audit changes/adjustments to the LBHI consolidated federal/combined state and local income tax returns (including by way of amended returns), taking into account historic tax sharing principles and (ii) in the event that LBI (or any other member of the LBHI consolidated federal/combined state and local income tax group) does not satisfy its share of the final tax liabilities, LBHI will equitably allocate the unsatisfied liability among all Debtor members of its consolidated federal/combined state and local income tax group.

The Debtor Allocation Agreement also addresses the relationship among the Debtors and certain Affiliates with respect to consolidated federal / combined state and local income taxes for tax years ending after the Effective Date.

The IRS filed a Proof of Claim on December 22, 2010 in the amount of approximately \$2.2 billion against the Company with respect to the consolidated federal income tax returns LBHI filed on behalf of itself and its subsidiaries in the 2001 through 2007 tax years. The IRS's claim reflects the maximum claim amount for numerous disputed federal tax issues that the Company has since resolved or plans to continue to attempt to resolve through the administrative dispute resolution process and litigation, if necessary. In March 2012, and again in October 2012, the Bankruptcy Court approved an interim settlement of certain audit issues raised by the IRS during the course of its audit of the LBHI consolidated group's pre-petition taxable years. Following the October 2012 settlement, only two federal tax issues with respect to pre-petition tax years remain unresolved: (i) stock loan (currently in litigation) and (ii) a withholding tax issue. The IRS's claim does not reflect the five-year carryback of LBHI's consolidated net operating loss from 2008. The IRS has commenced an audit of the 2008-2010 consolidated federal income tax returns of the LBHI group, including the amount of the 2008 net operating loss. Further, the LBHI consolidated group is due a refund of several hundred million dollars from the IRS for the tax years 1997 through 2000 and 2006. The IRS's \$2.2 billion claim takes into account a reduction of the IRS's claim for the 2006 tax year refund, but it has not been reduced by the refund for the tax years 1997 through 2000 (which is approximately \$126 million plus interest) owed to LBHI because the IRS has not indicated which tax claims it intends to offset against this portion of the refund.

In accordance with a cash reserve stipulation entered into in December 2011 with the IRS, and a Reserve & Reimbursement Agreement among the Debtors and certain Affiliates, effective as of the Effective Date, the Debtors established on the Effective Date a cash reserve covering the \$2.2 billion IRS Proof of Claim.

As of September 30, 2013, the outstanding unresolved Priority Tax Claims filed by states, cities, and municipalities approximated \$25 million.

In certain circumstances, the Company may be subject to withholding taxes, transactional taxes or taxes on income in certain jurisdictions with respect to the realization of financial positions as assets are disposed of during the course of liquidation.

Note 12 – Liabilities Subject to Compromise

Liabilities Subject to Compromise as of September 30, 2013 have been estimated at approximately \$293 billion, net of distributions and adjustments.

Over \$1.3 trillion of claims have been asserted against the Debtors. To date, the Company has identified many claims that it believes should be disallowed for a number of reasons, including but not limited to claims that are duplicative of other claims, claims that are amended by later filed claims, late filed claims, claims that are not properly filed against a Debtor in these proceedings and claims that are either overstated, asserted an incorrect priority or that cannot otherwise properly be asserted against these Debtors. Through September 30, 2013, the Debtors have allowed approximately \$309.5 billion in claims and continue working to reconcile and resolve the remaining disputed claims.

There is a significant unliquidated claim against BNC (claim #31036) which, if liquidated and allowed, would have a material impact on the recoveries to BNC claimants and would result in creditors receiving significantly less than a 100% recovery on their claims. In accordance with the Plan, the Company has continued to make distributions to allowed claimants of BNC.

In preparing the Balance Sheets, the Company has reviewed all available claims data as it relates to each of the Debtors. As a result, the Company has reduced its estimates of Liabilities Subject to Compromise for certain Debtors as of September 30, 2013 by approximately \$2 billion from June 30, 2013 primarily due to a reduction in estimated third party guarantee claims. The Company will continue to review its estimate of Liabilities Subject to Compromise as more information becomes available in the future, including such items as claims settlements, distributions and Court decisions. Determinations of allowed amounts may be higher or lower than the recorded estimates, and accordingly, adjustments, which may be material, may be recorded in future Balance Sheets.

Distributions Pursuant to Plan

Through April 4, 2013 the Debtors made three distributions to creditors totaling \$47.2 billion. These distributions included approximately (i) \$32 billion of payments to third-party creditors and non-controlled affiliates and (ii) \$15.2 billion of payments among the Lehman Debtors and their controlled affiliates.

On October 3, 2013 the Debtors made a fourth distribution to creditors totaling approximately \$15.6 billion. This distribution included (i) approximately \$11.1 billion of payments to third-party creditors and non-controlled affiliates, (ii) \$4.1 billion of payments among the Debtors and their controlled affiliates, (iii) \$276 million of payments to recently allowed claims of amounts those claimants would have received had those claims been allowed at the time of the previous distributions, and (iv) \$60.7 million of post-petition interest to holders of allowed claims that have been satisfied in full (refer to Exhibit B of the Court filing, Docket No. 40225, for further detail).

In accordance with section 8.13(c) of the Plan, to the extent that any Debtor has Available Cash, as defined in section 1.5 of the Plan, after all Allowed Claims against that Debtor have been satisfied in full, each holder of each such Allowed Claim shall be entitled to receive post-petition interest on the Allowed amount of such Claim. The Company has recorded an estimate for post-petition interest in LBDP and LBFP in Liabilities Subject to Compromise as of September 30, 2013. The Company has not recorded an estimate for post-petition interest in LOTC as of September 30, 2013.

Note 13 – Currency Translation

The Company's general ledger systems automatically translate assets and liabilities (excluding primarily Due to Affiliates and Liabilities Subject to Compromise) having non-U.S. dollar functional currencies using exchange rates as of the Balance Sheets' date. The gains or losses resulting from translating non-US dollar functional currency into U.S. dollars are reflected in Stockholders' Equity.

Note 14 – Legal Proceedings

The Company is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the bankruptcy proceedings and various other matters. The Company is unable at this time to determine the financial impact of such proceedings and the impact that any recoveries or liabilities may have upon the Balance Sheets. As more information becomes available, the Company may record revisions, which may be material, in future Balance Sheets.

Note 15 – Financial Systems and Control Environment

Procedures, controls and resources used to create the Balance Sheets were modified, including a significant reduction in resources, in comparison to what was available to the Company prior to the Chapter 11 cases. The Company is continuously reviewing its accounts, and as a result, modifications, errors and potential misstatements might be identified. Consequently, the Company may record adjustments, which may be material, in future Balance Sheets.

Note 16 – Accompanying Schedules

The amounts and estimates disclosed in the Accompanying Schedules to the Balance Sheets included in this filing are based on the information available at the time of the filing and are subject to change as additional information becomes available.

Note 17 – Rounding

The Balance Sheets, the Management's Discussion and Analysis, and the Accompanying Schedules may have rounding differences in their summations. In addition, on the Balance Sheets there may be rounding differences between the financial information on the Accompanying Schedules and the related amounts.

LEHMAN BROTHERS HOLDINGS INC. and Other Debtors and Debtor-Controlled Entities
Balance Sheets As of September 30, 2013
(Unaudited)

(\$ in millions)	Lehman Brothers Holdings Inc. 08-13555	Lehman Brothers Special Financing Inc. 08-13888	Lehman Brothers Commodity Services Inc. 08-13885	Lehman Brothers Commercial Corporation 08-13901	Lehman Brothers OTC Derivatives Inc. 08-13893	Lehman Brothers Financial Products Inc. 08-13902	Lehman Brothers Derivative Products Inc. 08-13899	Lehman Commercial Paper Inc. 08-13900	Luxembourg Residential Properties Loan Finance S.a.r.l. 09-10108	Other Debtors (2)	Total Debtor Entities (1)	Total Debtor- Controlled Entities (3)	Total LBHI Controlled Entities
Assets													
Cash and short-term investments	\$ 6,975	\$ 1,175	\$ 298	\$ 400	\$ 1,137	\$ 160	\$ 93	\$ 2,456	\$ 7	\$ 44	\$ 12,744	\$ 1,070	\$ 13,814
Cash and short-term investments pledged or restricted	8,386	2,714	177	326	149	101	115	382	1	172	12,522	68	12,590
Financial instruments and other inventory positions:													
Commercial Real estate	137	0	-	-	-	-	-	1,369	362	-	1,869	2,676	4,545
Loans and Residential Real Estate	133	8	-	-	-	-	-	475	-	-	616	368	984
Principal investments	49	-	-	-	-	-	-	128	-	-	177	2,103	2,280
Derivative Receivables and Related Assets	-	1,307	17	7	122	7	-	0	-	63	1,523	4	1,527
Total Financial instruments and other inventory positions	319	1,314	17	7	122	7	-	1,973	362	63	4,185	5,150	9,335
Subrogated Receivables from Affiliates and Third Parties	2,116	-	-	-	-	-	-	-	-	-	2,116	-	2,116
Receivables from Controlled Affiliates and other assets	763	270	6	7	246	6	7	989	49	3	2,345	1,026	3,371
Investments in Affiliates	(36,110)	(66)	(0)	-	-	-	-	2,050	-	(178)	(34,305)	(32,573)	(66,878)
Due from Affiliates:													
Controlled Affiliates	50,936	1,093	370	19	-	-	2	6,163	0	660	59,243	7,464	66,707
Non-Controlled Affiliates	35,326	1,555	721	936	88	0	0	233	-	13	38,871	4,130	43,001
Total Due from Affiliates	86,262	2,648	1,091	956	88	0	2	6,396	0	673	98,115	11,593	109,708
Total Assets	\$ 68,711	\$ 8,056	\$ 1,588	\$ 1,696	\$ 1,742	\$ 273	\$ 216	\$ 14,245	\$ 419	\$ 776	\$ 97,722	\$ (13,667)	\$ 84,055
Liabilities and stockholders' equity													
Liabilities													
Payables to Controlled Affiliates and other liabilities	\$ 2,229	\$ 55	\$ 0	\$ 3	\$ 51	\$ -	\$ 0	\$ 385	\$ 0	\$ 4	\$ 2,727	\$ 1,076	\$ 3,803
Due to Affiliates:													
Controlled Affiliates	-	-	-	-	-	-	-	-	-	-	-	18,350	18,350
Non-Controlled Affiliates	-	-	-	-	-	-	-	-	-	-	-	1,935	1,935
Total Due to Affiliates	-	-	-	-	-	-	-	-	-	-	-	20,285	20,285
Secured Claims Payable to Third Parties	2,036	10	-	-	-	-	-	-	-	-	2,046	-	2,046
Taxes Payable	661	-	2	3	-	-	-	33	-	1	699	451	1,150
Liabilities Subject to Compromise	233,374	34,768	1,626	881	960	38	45	19,686	594	1,277	293,249	0	293,249
Total Liabilities	238,300	34,833	1,628	887	1,011	38	45	20,104	594	1,282	298,721	21,811	320,533
Stockholders' Equity	(169,589)	(26,778)	(40)	809	731	236	172	(5,858)	(175)	(506)	(200,999)	(35,478)	(236,477)
Total Liabilities and Stockholders' Equity	\$ 68,711	\$ 8,056	\$ 1,588	\$ 1,696	\$ 1,742	\$ 273	\$ 216	\$ 14,245	\$ 419	\$ 776	\$ 97,722	\$ (13,667)	\$ 84,055

See accompanying Notes to Balance Sheets

Note: All values that are exactly zero are shown as "--". Values between zero and \$500,000 appear as "0".

(1) Balances for Debtors do not reflect the impact of eliminations of intercompany balances and investments in subsidiaries.

(2) Certain Other Debtor's Balance Sheets are presented on page 17.

(3) Certain Debtor-Controlled entities' Balance Sheets are presented on page 18.

LEHMAN BROTHERS HOLDINGS INC. and Other Debtors and Debtor-Controlled Entities
Balance Sheets As of September 30, 2013 (Certain Other Debtors)

(Unaudited)

(\$ in millions)	LB 745 LLC 08-13600	CES Aviation LLC 08-13905	CES Aviation V 08-13906	CES Aviation IX 08-13907	Structured Asset Securities Corporation 09-10558	East Dover Ltd 08-13908	Lehman Scottish Finance LP 08-13904	LB Rose Ranch LLC 09-10560	LB 2080 Kalakaua Owners LLC 09-12516	BNC Mortgage LLC 09-10137	LB Somerset LLC 09-17503	LB Preferred Somerset LLC 09-17505	PAMI Statler Arms LLC 08-13664	MERIT LLC 09-17331	Other Debtors (1)
Assets															
Cash and short-term investments	\$ 10	\$ -	\$ 0	\$ 0	\$ 1	\$ -	\$ -	\$ 4	\$ (0)	\$ 0	\$ -	\$ -	\$ 0	\$ 28	\$ 44
Cash and short-term investments pledged or restricted	19	18	3	5	106	0	2	0	-	17	-	-	-	1	172
Financial instruments and other inventory positions:															
Commercial Real estate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans and Residential Real Estate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Derivative Receivables and Related Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	63	63
Total Financial instruments and other inventory positions	-	-	-	-	-	-	-	-	-	-	-	-	-	63	63
Subrogated Receivables from Affiliates and Third Parties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from Controlled Affiliates and other assets	-	-	-	-	-	2	-	-	0	-	-	0	-	-	3
Investments in Affiliates	-	-	-	-	-	-	(178)	-	-	-	-	-	-	-	(178)
Due from Affiliates:															
Controlled Affiliates	155	-	0	0	404	-	65	-	-	2	-	-	-	34	660
Non-Controlled Affiliates	5	-	-	-	4	5	-	-	-	-	-	-	-	-	13
Total Due from Affiliates	159	-	0	0	408	5	65	-	-	2	-	-	-	34	673
Total Assets	\$ 188	\$ 18	\$ 3	\$ 5	\$ 515	\$ 7	\$ (111)	\$ 4	\$ 0	\$ 19	\$ -	\$ 0	\$ 0	\$ 126	\$ 776
Liabilities and stockholders' equity															
Liabilities															
Payables to Controlled Affiliates and other liabilities	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1	\$ 1	\$ 0	\$ 0	\$ 0	\$ 1	\$ 0	\$ 0	\$ 0	\$ 1	\$ 4
Due to Affiliates:															
Controlled Affiliates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-Controlled Affiliates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Due to Affiliates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Secured Claims Payable to Third Parties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes Payable	-	-	-	-	1	-	-	-	-	-	-	-	-	-	1
Liabilities Subject to Compromise	34	17	8	8	807	3	-	6	40	18	7	10	0	318	1,277
Total Liabilities	34	17	8	9	809	4	0	6	40	19	8	10	0	319	1,282
Stockholders' Equity	154	1	(5)	(3)	(294)	3	(111)	(2)	(40)	0	(8)	(10)	0	(193)	(506)
Total Liabilities and Stockholders' Equity	\$ 188	\$ 18	\$ 3	\$ 5	\$ 515	\$ 7	\$ (111)	\$ 4	\$ 0	\$ 19	\$ -	\$ 0	\$ 0	\$ 126	\$ 776

See accompanying Notes to Balance Sheets

Note: All values that are exactly zero are shown as "--". Values between zero and \$500,000 appear as "0".
(1) Balances for Debtors do not reflect the impact of eliminations of intercompany balances and investments in subsidiaries.

LEHMAN BROTHERS HOLDINGS INC. and Other Debtors and Debtor-Controlled Entities
Balance Sheets As of September 30, 2013 (Debtor-Controlled Entities)

(Unaudited)

(\$ in millions)	Lehman ALI Inc. (2)	Property Asset Management Inc. (3)	LB I Group Inc. (3)	Lehman Brothers Bancorp Inc. (3)	PAMI Holdings LLC	314 Common- wealth Ave Inc. (3)	LB U.K. Holdings (Delaware) Inc.	ACQ SPV I & II Paper LLC's (4)	ACQ SPV I Holdings LLC	Other Debtor- Controlled Entities	Debtor - Controlled Group Elims (1)	Total Debtor- Controlled Entities
Assets												
Cash and short-term investments	\$ 108	\$ 13	\$ 36	\$ 251	\$ 20	\$ 7	\$ 34	\$ -	\$ -	\$ 601	\$ -	\$ 1,070
Cash and short-term investments pledged or restricted	13	3	9	27	3	-	-	-	-	13	-	68
Financial instruments and other inventory positions:												
Commercial Real estate	281	572	1	-	476	121	0	707	269	250	-	2,676
Loans and Residential Real Estate	146	0	0	101	-	-	-	-	-	121	-	368
Principal investments	(37)	-	1,417	1	-	0	0	-	-	722	-	2,103
Derivative Receivables and Related Assets	-	-	-	-	-	-	-	-	-	4	-	4
Total Financial instruments and other inventory positions	390	572	1,418	101	476	121	0	707	269	1,096	-	5,150
Subrogated Receivables from Affiliates and Third Parties	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from Controlled Affiliates and other assets	246	51	80	5	1	387	192	(0)	(0)	282	(217)	1,026
Investments in Affiliates	(34,587)	(1)	(0)	0	-	(175)	149	-	-	(96)	2,137	(32,573)
Due from Affiliates:												
Controlled Affiliates	5,246	0	695	0	-	764	295	-	-	2,369	(1,906)	7,464
Non-Controlled Affiliates	904	3	8	4	-	684	1,356	-	-	1,171	-	4,130
Total Due from Affiliates	6,150	3	703	4	-	1,449	1,651	-	-	3,540	(1,906)	11,593
Total Assets	\$ (27,681)	\$ 641	\$ 2,245	\$ 389	\$ 499	\$ 1,788	\$ 2,027	\$ 707	\$ 269	\$ 5,436	\$ 14	\$ (13,667)
Liabilities and stockholders' equity												
Liabilities												
Payables to Controlled Affiliates and other liabilities	\$ 387	\$ 58	\$ 283	\$ 74	\$ 10	\$ (3)	\$ 7	\$ 4	\$ 1	\$ 476	\$ (221)	\$ 1,076
Due to Affiliates:												
Controlled Affiliates	8,719	-	4,475	86	-	1,797	1,387	-	-	3,792	(1,906)	18,350
Non-Controlled Affiliates	49	0	37	14	-	15	130	-	-	1,690	-	1,935
Total Due to Affiliates	8,769	0	4,512	101	-	1,812	1,516	-	-	5,482	(1,906)	20,285
Secured Claims Payable to Third Parties	-	-	-	-	-	-	-	-	-	-	-	-
Taxes Payable	305	-	5	-	-	134	64	-	-	(58)	-	451
Liabilities Subject to Compromise	0	-	-	-	-	-	-	-	-	0	-	0
Total Liabilities	9,462	58	4,800	175	10	1,943	1,587	4	1	5,900	(2,127)	21,811
Stockholders' Equity	(37,142)	583	(2,555)	214	489	(155)	439	703	268	(464)	2,141	(35,478)
Total Liabilities and Stockholders' Equity	\$ (27,681)	\$ 641	\$ 2,245	\$ 389	\$ 499	\$ 1,788	\$ 2,027	\$ 707	\$ 269	\$ 5,436	\$ 14	\$ (13,667)

See accompanying Notes to Balance Sheets

Note: All values that are exactly zero are shown as "-". Values between zero and \$500,000 appear as "0".

(1) Balances reflect the impact of eliminations of (i) Intercompany balances only between Debtor-Controlled Entities and (ii) investments in subsidiaries only between Debtor-Controlled Entities.

(2) Lehman ALI Inc is reflected on a consolidated basis excluding wholly owned subsidiaries that are Debtor entities and 314 Commonwealth Ave Inc.

(3) Entities are reflected on a consolidated basis, e.g. Property Asset Management Inc. includes its wholly owned subsidiary, Orbit RE LLC.

(4) Represents ACQ SPV I Paper LLC and ACQ SPV II Paper LLC combined.

Lehman Brothers Holdings Inc. and Other Debtors and Debtor-Controlled Entities
Management's Discussion & Analysis

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Section references above are to the Plan.

1. INTRODUCTORY NOTES

This report contains forward-looking statements that reflect known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by these forward-looking statements. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including all statements containing information regarding the intent, belief or current expectation of the Company and members of its management. Forward-looking statements reflect the Company's current views with respect to future events as well as various estimates, assumptions and comparisons based on available information, many of which are subject to risks and uncertainties. Readers of this report should not place undue reliance on these forward-looking statements.

The reader should read this report and the documents referenced herein (in particular, the accompanying Balance Sheets and Accompanying Schedules, and the 2013+ Cash Flow Estimates) completely and with the understanding that as more information becomes available to the Company, any forward-looking statements may change, potentially in a material respect. The Company does not undertake any obligation to update any forward-looking statements contained in this report, but reserves the right to do so.

In addition, material uncertainties continue to exist regarding the ultimate value realizable from the Company's assets, the timing of asset recoveries, future costs, and the eventual level of creditors' allowed claims. These may have a significant effect on the timing and quantum of any future distributions to creditors. Accordingly, creditors should not rely upon this report as the sole basis of an estimate of the value of their claims, or as a complete description of the Company, its business, condition (financial or otherwise), results of operations, prospects, assets or liabilities.

This report refers to various defined terms as set out in the Glossary of Terms in Appendix A.

Objectives

On March 6, 2012 (the "Effective Date"), the Plan became effective and the Debtors emerged from bankruptcy with new Boards of Directors (LBHI's Board of Directors hereinafter referred to as the "Board"). The Company continues to pursue the objective of asset value maximization and timely distributions to creditors of available cash through the optimal execution of an orderly wind down process and the judicious and timely resolution of claims. Pursuant to the Plan, the Company has made and expects to continue to make semi-annual distributions to creditors of all debtors, with each entity subject to review at each Distribution Date.

2. HIGHLIGHTS – Section 15.6(b)(ii)(A)

2.1 TRENDS AND UNCERTAINTIES

The Company owns real estate, private equity investments, loans, derivatives contracts, and other assets in a wide variety of local, domestic and global markets, and as such, in future periods the values of these assets are subject to trends, events and factors beyond the Company's control, including but not limited to: the local, domestic and global economic environment; changes in budget, tax and fiscal policies in the U.S. and other countries; fluctuations in debt and equity markets, interest rates, and currency exchange rates; litigation risk; and changes in regulatory requirements.

The 2013+ Cash Flow Estimates and its accompanying notes (Docket No. 38954) reflect the Company's views on trends and uncertainties that have, or are reasonably likely to have, a material effect on the Company's financial condition as of such date. Except as noted therein, the Company is not aware of any additional trends, events or uncertainties not reflected therein that will materially change the information contained in this report.

2.2 SIGNIFICANT EVENTS, DEVELOPMENTS AND OTHER ACTIVITIES

This section provides an update on various significant distribution, asset management and monetization, claim, affiliate and other activities:

For the quarter ended September 30, 2013:

- The Company realized gross cash receipts of approximately \$2.7 billion in the quarter ending September 30, 2013, including:
 - Receipts from asset management and monetization activities of approximately \$1.8 billion, including:
 - Collections of approximately \$577 million from Commercial Real Estate investments, including \$131 million from the sale of the 425 Park Avenue and \$235 million from the sale of an industrial property portfolio;
 - The receipt of approximately \$546 million in Derivatives including approximately \$103 million from LBI on account of allowed derivative customer claims of LBSF and LOTC;
 - The majority of the Whole Loan Residential Mortgage portfolio was liquidated for net cash receipts of approximately \$92 million.
 - Receipts of approximately \$700 million related to claims against Non-Controlled Affiliates, including:
 - Receipts of approximately \$330 million from Lehman Brothers Asia Holdings ("LBAH") and \$112 million from Lehman Brothers Commercial Corp Asia ("LBCCA"). The LBAH receipt is net of payments for Hong Kong's claims against Lehman Brothers Australia;
 - The receipt of approximately \$185 million from LB UK RE Holdings Limited.

For the period subsequent to September 30, 2013:

- During the quarter ending December 2013, excluding proceeds from selling shares of AVB and EQR common stock, the Company realized gross cash receipts of approximately \$2.7 billion:
 - Receipts from asset management activities of approximately \$2.5 billion including:
 - Collections of approximately \$950 million from Commercial Real Estate investments, including \$407 million from the sale of 237 Park Avenue and approximately \$153 million from Devonshire;
 - Collections of approximately \$600 million in Derivatives;
 - Collections of approximately \$575 million from Loans, including principal pay downs of \$335 million from the Hilton Mezzanine loan and \$151 million from Arinc Incorporated.
 - During the period October 1, 2013 through January 24, 2014, the Company sold common shares of EQR and AVB for total proceeds of \$1,304 million. As of January 24, 2014, the combined aggregate market value of the Company's remaining holdings in EQR and AVB were approximately \$582 million.

Other Activities:

- **Claims and Distributions:**
 - Unresolved filed claims decreased by approximately \$16.5 billion to \$141.9 billion as of September 30, 2013, from \$158.4 billion as of June 30, 2013, due to the settlement, withdrawal or expungement of claims, primarily related to Derivative Guarantees, Corporate Resolution and Prime Brokerage claims. As of September 30, 2013, the Company has estimated the liability for claims that have yet to be allowed or disallowed to be approximately \$33.9 billion, which represents a decrease of approximately \$3.2 billion from \$37.1 billion at June 30, 2013, primarily due to (i) reductions in Third-Party Guarantee Claims of approximately \$1.6 billion and (ii) the allowance of \$1.2 billion claims during the quarter which as of June 2013 were estimated approximately at the amounts allowed. See Schedule 5.1 – Claims Reconciliation and Resolution Update for further details;
 - On October 3, 2013, the Company made its fourth distribution to creditors holding allowed claims. The total distribution to creditors was approximately \$15.6 billion, of which approximately \$11.5 billion were distributed to third party creditors and \$4.1 billion were distributed to Debtor and Debtor-Controlled Entities. Please see Docket No. 40225 for further information.

- **Non-Controlled Affiliates:**

- On August 21, 2013, an agreement among various PWC- and LBHI- administered entities in relation to the deficit in the UK Lehman Brothers Pension scheme was terminated. The claim asserted by the UK Pensions Regulator against LBHI remains unresolved;
- On November 21, 2013, Lehman Brothers Holdings Intermediate 2 Ltd. (LBHI2), LBHI, Elliot Management Corporation (Elliott) and King Street Capital Management, L.P. (KS and together with Elliott, the Funds) entered into commitment letters, subject to final documentation, to create a strategic joint venture that aligns their interests in LBIE. LBHI2 will contribute to the Joint Venture the economic interests of its senior and subordinated claims (approximately GBP 1.3 billion) against the preferred equity in LBIE. The Funds will pay approximately GBP 650 million to LBHI2 and contribute to the Joint Venture the distributions on their claims against LBIE (approximately GBP 2.6 billion as of September 30, 2013) in excess of the principal amount plus post-administration interest at 8% per year. The Joint Venture includes a joint recovery pool which is governed by a specific sharing formula. A detailed summary of the terms of the parties' commitments and the Joint Venture is available at www.lehman-docket.com in the key documents section;
- As a result of objections to the LBHI/LBF settlement, the Company and LBF are engaged in multiple litigations in the US, Switzerland and the UK;
- On November 7, 2013, the Company and certain of its affiliates entered into a final global settlement agreement with Lehman Re Ltd. ("Lehman RE") with respect to, among other things, certain tax matters and the mutual release of certain disclosure obligations extant under prior settlement agreement among the parties. The settlement became effective on November 19, 2013.

- **Other:**

- Antero Resources Corp., an oil and gas producer, raised \$1.57 billion on October 9, 2013 pursuant to its offering of approximately 36 million shares priced at \$44 per share. At the IPO price, including a discount for illiquidity, Lehman's position in Antero was valued at approximately \$90 million;
- Houghton Mifflin Harcourt ("HMH"), the publisher and education services company, priced its initial public offering on November 14, 2013 for \$219 million. The Debtors sold 655,757 shares (15 percent of their holdings) in the offering for approximately \$7.9 million.
- LBHI, Aurora Commercial Corporation and Aurora Loan Services and Federal National Mortgage Association ("Fannie Mae") entered into a settlement agreement which, among other things, provided Fannie Mae a \$2.15 billion LBHI Class 7 claim, subject to approval by the bankruptcy court. See Docket 42153 for further information.

3. INVESTMENTS AND EXPENDITURES – Section 15.6(b)(ii)(B)

The following schedule denotes new investments in any asset or permitted expenditures in the period between July 1, 2013 and September 30, 2013 to preserve existing assets (in each case a single transaction or series of related transactions on a cumulative basis after the Effective Date in excess of \$25 million):

During the quarter ending September 30, 2013, there was no investment or expenditure for an individual asset greater than \$25 million.

4. ASSET SALES, RESTRUCTURINGS AND OTHER – Section 15.6(b)(ii)(C)⁽¹⁾

The following schedule denotes any restructurings, settlements and sales, including any realized gains or losses relative to the market value reported in the prior period balance sheet, and relative to undiscounted cash flow estimates as reported in the 2013+ Cash Flow Estimates for principal amounts, wind-downs or liquidations of the Debtors' existing assets, in each case, solely with respect to any asset that has an estimated undiscounted cash flow principal amount greater than \$50 million for derivatives, loans, or private equity or principal investments managed assets, and greater than \$75 million for real estate managed assets. The aforementioned are referred to as "Significant Monetizations":

(\$ millions)	Actual Principal Collected ⁽²⁾	2013+ Cash Flow Estimates ⁽³⁾	6/30/2013 Balance Sheets Value ⁽⁴⁾	Realized Gain / (Loss) Relative to 2013+ Cash Flow Estimate	Realized Gain / (Loss) Relative to 6/30/13 Balance Sheets Value
Loans and Securitizations					
Arinc Inc.	\$ 24	\$ 24	\$ 24	\$ 0	\$ 0
Apollo Management Holdings	61	58	61	3	0
Hilton Mezzanine	14	14	13	-	1
HMH Publishing 1st Lien(Common Stock)	15	13	13	3	2
Total Loans and Securitizations⁽⁵⁾	\$ 115	\$ 109	\$ 112	\$ 6	\$ 4
Private Equity / Principal Investments⁽⁶⁾					
Deal A	\$ 80	\$ 30	\$ 76	\$ 50	\$ 4
NB Private Equity Partners	23	21	23	3	1
Greenbrier	3	2	3	1	-
GP and LP Stakes in PE and Hedge Funds	152	139	155	13	(3)
Total Private Equity / Principal Investments	\$ 259	\$ 192	\$ 257	\$ 67	\$ 2
Derivatives⁽⁶⁾					
Deal B	\$ 72	\$ 72	\$ 71	\$ 0	\$ 1
Deal C	55	55	47	0	8
LBI Settlement (LBSF)	53	53	47	-	6
LBI Settlement (LOTC)	50	49	45	1	5
Total Derivatives	\$ 230	\$ 229	\$ 209	\$ 1	\$ 20
Real Estate					
425 Park Avenue	\$ 131	\$ 132	\$ 130	\$ (1)	\$ 1
Archstone	15	15	15	-	-
Prologis	235	206	224	29	11
Total Real Estate	\$ 381	\$ 353	\$ 369	\$ 28	\$ 12
Total Significant Monetizations	\$ 985	\$ 883	\$ 947	\$ 102	\$ 38

Notes to Asset Sales, Restructurings and Other:

1. All values that are exactly zero are shown as "-". Values between zero and \$0.5 million appear as "0". Totals may not foot due to rounding.
2. Partial monetizations below \$5 million are not reflected above. Some transactions have not settled and are recorded as "Receivables from Controlled Affiliates and other assets" on the Balance Sheets.
3. Represents undiscounted cash flow of the estimated principal (and related accrued income, if any) amount reflected in the 2013+ Cash Flow Estimates for the asset.
4. Represents the recorded value reported on the prior period balance sheet (as of June 30, 2013) for the asset.
5. As of September 30, 2013, within Corporate Loans, there was one significant position undergoing a restructuring. In aggregate, this asset had a market value of \$126 million.
6. Certain monetizations are anonymous due to confidentiality requirements.

5. CLAIMS UPDATE – Section 15.6(b)(ii)(D) ⁽¹⁾

5.1 CLAIMS RECONCILIATION AND RESOLUTION UPDATE

The following schedule is an update of the claims reconciliation and resolution process:

Claim Category	June 30, 2013 Claims Balance	Third Quarter Activity		September 30, 2013 Claims Balance	September 30, 2013 Claims Balance			
		Additional Allowed Claims	Change in Estimated Active Claims		LBHI	LCPI	LBSF	Other Debtors
Direct Claims:								
Debt	\$ 99.7	\$ -	\$ 0.0	\$ 99.7	\$ 99.0	\$ -	\$ -	\$ 0.7
Derivatives	26.2	0.3	(0.5)	26.0	0.0	0.1	23.3	2.6
Other	17.9	0.0	(0.2)	17.6	10.3	6.7	0.1	0.6
Total Direct Claims	143.8	0.3	(0.8)	143.3	109.3	6.8	23.4	3.8
Affiliate Claims Direct	107.5	0.0	(0.0)	107.5	58.8	23.1	20.6	5.0
Affiliate Guarantee Claims	11.8	0.2	(0.2)	11.9	11.9	-	-	-
Third Party Guarantee Claims ⁽²⁾	79.5	0.7	(2.3)	77.9	77.9	-	-	-
Total Liabilities Subject to Compromise	342.7	1.2	(3.2)	340.6	257.9	29.9	44.0	8.8
Taxes Payable	0.7	-	-	0.7	0.7	0.0	-	0.0
Secured Claims Payable to Third parties	2.0	-	0.0	2.0	2.0	-	0.0	-
Total Claims	\$ 345.4	\$ 1.2	\$ (3.2)	\$ 343.4	\$ 260.6	\$ 29.9	\$ 44.0	\$ 8.9
Allowed Claims ⁽³⁾	\$ 308.3	\$ 1.2	\$ -	\$ 309.5	\$ 232.1	\$ 29.9	\$ 39.7	\$ 7.8
Estimated Unresolved Claims to be Allowed ⁽⁴⁾	37.1	-	(3.2)	33.9	28.4	0.0	4.3	1.1
Total Claims	\$ 345.4	\$ 1.2	\$ (3.2)	\$ 343.4	\$ 260.6	\$ 29.9	\$ 44.0	\$ 8.9
Less : Claims Distributions and adjustments				(47.4)	(24.5)	(10.2)	(9.2)	\$ (3.5)
Net Claim Liability at September 30, 2013				\$ 296.0	\$ 236.0	\$ 19.7	\$ 34.8	\$ 5.3

(1) All values that are exactly zero are shown as "-". Values between zero and \$50 million appear as "0". Totals may not foot due to rounding.

(2) Included in the current estimate of Liabilities Subject to Compromise is approximately \$7.0 billion of LBHI Guarantees to creditors of LBIE.

(3) Payments on certain secured claims of LBSF are reflected as a reduction of Allowed Claims as of September 30, 2013.

(4) As of September 30, 2013, there are unresolved filed claims of \$142 billion expected to be allowed at the estimated amounts.

5.2 SIGNIFICANT CLAIMS SETTLEMENTS

The following schedule is a description of the claim settlements for the quarter ended September 30, 2013 providing for the allowance in excess of \$250 million of a Disputed Claim against the Debtors:

During the quarter approximately \$1.2 billion of claims were allowed, primarily in third party guarantees but none was greater than \$250 million.

6. LITIGATION UPDATE – Section 15.6(b)(ii)(E)

The following is a description of the Company's significant affirmative litigation actions against third parties that are pending, including the damages sought by the Company:

Refer to the filed Balance Sheets as of March 31, 2012 for the status of litigation against the following third parties, as no material change, except as noted below, has occurred since the filing of those Balance Sheets on July 30, 2012:

Ballyrock Litigation

Michigan State Housing Development Authority Litigation ("MSHDA") – on September 18, 2013, the Bankruptcy Court heard oral arguments on the parties' cross-motions for summary judgment and reserved decision. In a Memorandum Decision dated December 19, 2013, the Bankruptcy Court granted MSHDA's Motion for Partial Summary Judgment to the extent of dismissing LBSF's Amended Counterclaim to strike certain provisions of the controlling documents as impermissible ipso facto clauses. The case remains pending before the Bankruptcy Court.

SPV Avoidance Actions – on July 18, 2013, the Bankruptcy Court entered an order extending the stay of these actions until January 20, 2014.

Refer to the filed Balance Sheets as of June 30, 2012 for the status of litigation against the following third party, as no material change, has occurred since the filing of those Balance Sheets on October 12, 2012:

Fontainebleau Litigation – In December 2013, the adversary proceedings brought by the Company for itself and as agent for the co-lenders were settled. The defendant's counterclaims had been dismissed by the Court in August 2011. The Company and the co-lenders agreed to accept \$56 million in the aggregate in full settlement of their claims against the borrowers such amount to be payable over three years with the first installment of \$20 million paid at closing. An additional payment of \$1 million was received from the trustee in the Fontainebleau bankruptcy by the Company, as agent for the lending group. The Company also received from the settlement proceeds, reimbursement of the legal fees previously paid by the Company in the amount of \$3.6 million. All claims against the Company, including those filed against the Company in LBHI bankruptcy proceeding were released and withdrawn.

Refer to the filed Balance Sheets as of September 30, 2012 for the status of litigation against the following third parties, as no material change, except as noted below, has occurred since the filing of those Balance Sheets on December 28, 2012:

LBHI v. JPMorgan Chase Bank, N.A.

Republic of Italy

Citigroup Litigation - On May 14, 2013, the Court "so-ordered" a stipulation whereby Citibank agreed to pay approximately \$167 million of the approximately \$200 million owed to LBCC per the Company's claim, subject to Company reservation of rights to continue to seek the remaining approximately \$37 million. In addition, on August 14, 2013, the Company filed a motion to authorize the provisional allowance and setoff of certain claims asserted by Citibank against LBHI, LBCC, LBSF, and LBCS in order to stop the accrual of post-petition interest, if any. On October 23, 2013, the Court denied the motion without prejudice to future challenges to Citibank's entitlement to post-petition interest.

Refer to the filed Balance Sheets as of December 31, 2012 for the status of litigation against the following third parties, as no material change, except as noted below, has occurred since the filing of those Balance Sheets on March 27, 2013:

LMA Avoidance Actions Litigation

Marubeni Litigation – By Agreement dated December 18, 2013 the parties agreed to a settlement of the litigation and the Company will receive payment in the first quarter of 2014.

Turnberry Litigation - In December 2013, the adversary proceeding brought against the Company was settled. The plaintiffs released the Company from all claims, including those filed against the Company in the bankruptcy proceeding, and agreed to make certain payments in the aggregate amount of \$38 million in settlement of the outstanding loans. The Company received an initial payment of \$10 million and will receive in a structured settlement additional payments totaling \$28 million over the next three years.

Refer to the filed Balance Sheets as of March 31, 2012 for the status of litigation against the following third parties, as no material change, except as noted below, has occurred since the filing of those Balance Sheets on July 23, 2013:

Intel Litigation - On December 19, 2013 the Bankruptcy Court granted Intel's Motion to Dismiss Counts 2 and 3 of the Adversary Complaint, and declared Count 1 of the Adversary Complaint to be a non-core claim. The Court also proposed that the parties agree to an adjudication of the matter in the Bankruptcy Court notwithstanding the granting of the motion. On January 14, 2014, Intel moved before the Bankruptcy Court to withdraw the reference from the District Court.

New Litigation action and updates for this filing:

Credit Suisse Group AG –On November 6, 2013, the Company, LBSF, LBSC and LBCC (collectively, "Plaintiffs") filed an Adversary Complaint and Objection to Claims ("Complaint") in the Bankruptcy Court against Credit Suisse, Credit Suisse International, Credit Suisse Energy LLC and Credit Suisse Securities (Europe) Ltd. (collectively, "Defendants"), captioned Lehman Brothers Holdings Inc. et al. v. Credit Suisse, et al. (In re Lehman Brothers Holdings Inc.), Adv. No. 13-01676 (JMP), Ch. 11 Case No. 08-013555 (JMP) (the "Adversary Proceeding").

In the Adversary Proceeding, Plaintiffs seek to reduce or disallow sixteen proofs of claim filed by Defendants in the aggregate amount of approximately \$1.2 billion with respect to certain derivatives and guarantee contracts. Plaintiffs also seek to recover approximately \$150 million owed by Defendants to Plaintiffs under certain of the same contracts. Defendants are expected to respond to the Complaint by January 27, 2014, and the initial pretrial conference has been scheduled for January 29, 2014.

Giants Stadium – On October 24, 2013 LBHI and LBSF filed an Adversary Proceeding Complaint against Giants Stadium LLC, alleging a failure to pay \$94 million due to LBSF upon the termination in September of 2008 of two interest rate swaps entered into by LBSF and Giants Stadium in August of 2007. On November 25, 2013, Giants Stadium filed a Motion to Dismiss Count 1 of the Adversary Complaint. There presently is no hearing or submission date for the motion.

Federal Tax Litigation - In 2010, LBHI filed an action against the United States of America in U.S. District Court for \$180 million refund of taxes paid related to certain 1990-2000 stock loan activities which were part of the Company's customer and proprietary equity business. This activity relates to foreign tax credits emanating from customer and proprietary stock lending business conducted in 1997 to 2000 between LBI and LBIE. This litigation also includes additional tax liabilities for 2001 to 2004 as it relates to the Company's dispute over IRS audit adjustments for LBI and LBIE stock loan transactions. LBHI and the US Department of Justice have had extensive discussions resulting in a narrowing of the legal issues and trial date is tentatively scheduled for mid-2014.

Internal Revenue Service - In December 2010, the Internal Revenue Service ("IRS") filed proofs of claims against certain Debtor entities ("Original Claims") which asserted an aggregate liability against the Company of approximately \$2.3 billion ignoring duplication. As a result of the Company's continued progress in resolving open issues with the IRS, the IRS filed proofs of claim amending and superseding the Original Claims (collective, the "Amending Claims") on December 10, 2013. The IRS by filing the Amending Claims allows the Company to reduce reserves maintained on account of the IRS's claims by approximately \$1.8 billion in accordance with section 8.4 of the Plan, Disputed Claims Holdback, in advance of the next Plan Distribution. The Amending Claims assert a significantly reduced aggregate liability of less than \$510 million.

7. COSTS AND EXPENSES- Section 15.6(b)(ii)(F)

The Company reports material costs and expenses on a cash basis in the monthly Post-Effective Operating Reports. Many of the engaged professionals send invoices to the Company two or more months after the dates on which the services are rendered. The cash disbursements for the Company's material costs and expenses paid through September 30, 2013 are shown below.

(\$ millions)	Quarter Ended <u>September 2013</u>	Year to Date <u>September 2013</u>	<u>2013+ CFE</u> <u>2013 Full</u> <u>Year Estimate</u>
Professional Fees ⁽¹⁾	\$ 49	\$ 182	\$ 271
Compensation and Benefits ⁽²⁾	26	104	134
Outsourced Services & IT Activities	14	43	55
Other Operating Disbursements	6	17	25
Total Costs & Expenses	<u>\$ 95</u>	<u>\$ 346</u>	<u>\$ 485</u>

Notes:

1. For additional information, please refer to the Monthly Schedule of Professional Fees filed with the Bankruptcy Court.
2. Compensation and Benefits include amounts paid to Alvarez & Marsal as interim management.

APPENDIX A GLOSSARY OF TERMS

TERM	DEFINITION
2013+ Cash Flow Estimates, also “2013+ CFE”	The Company’s updated outlook of estimated receipts and disbursements in a report filed on July 23, 2013 (Docket No. 38954)
Archstone	Archstone Enterprise LP – n/k/a Jupiter Enterprise LP
AVB	AvalonBay Communities, Inc.
Bankruptcy Court	The United States Bankruptcy Court for the Southern District of New York
Company	Lehman Brothers Holdings Inc. and entities that are directly or indirectly controlled by LBHI as Plan Administrator, including its management and board of directors; excludes, among others, those entities that are under separate administrations in the United States or abroad
Debtors	LBHI and certain of its direct and indirect subsidiaries that filed for protection under Chapter 11 of the Bankruptcy Code
Disclosure Statement	The Disclosure Statement for the Third Amended Joint Chapter 11 Plan, filed August 31, 2011
EQR	Equity Residential
LBCC	Lehman Brothers Commercial Corp.
LBDP	Lehman Brothers Derivatives Products Inc.
LBF	Lehman Brothers Finance S.A.
LBHI	Lehman Brothers Holdings Inc.
LBI	Lehman Brothers Inc.
LBIE	Lehman Brothers International (Europe)
LCPI	Lehman Commercial Paper Inc.
LOTB	Lehman Brothers OTC Derivatives Inc.
Non-Controlled Affiliates	Affiliates of the Debtors that were not managed or controlled by a Debtor as of the Effective Date, including, without limitation, all affiliates that are subject to proceedings in the U.S. or abroad, including proceedings under the Securities Investor Protection Act.
MD&A	Management’s Discussion & Analysis
Plan	The Modified Third Amended Joint Chapter 11 Plan of Lehman Brothers Holdings Inc. and its Affiliated Debtors, dated December 5, 2011 and confirmed December 6, 2011

Financial Instruments Summary and Activity ⁽¹⁾

July 1, 2013 - September 30, 2013

(Unaudited)

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(Unaudited)	As of September 30, 2013			(Activity 07/01/13 - 09/30/13)					
				As Reported June 30, 2013			Fair Value / Recovery Value	Cash ⁽³⁾	
\$ in millions	Encumbered ⁽²⁾	Unencumbered	Total	Total	Change	Transfers and Reclassifications	Change ⁽⁴⁾	(Receipts)	Disbursements
Commercial Real Estate (CRE)									
Debtors:									
Lehman Brothers Holdings Inc.	\$ -	\$ 137	\$ 137	\$ 273	\$ (136)	\$ (11)	\$ 17	\$ (142)	\$ 0
Lehman Commercial Paper Inc.	-	1,369	1,369	1,476	(107)	(15)	22	(116)	2
Lux Residential Properties Loan Finance S.a.r.l	-	362	362	360	2	-	5	(3)	-
Subtotal Debtors	-	1,868	1,868	2,109	(241)	(26)	44	(261)	2
Debtor-Controlled	-	2,676	2,676	3,078	(402)	26	(131)	(316)	18
Total Commercial Real Estate	-	4,544	4,544	5,187	(643)	0	(86)	(577)	20
Loans and Residential Real Estate (Loans and RESI)									
Debtors:									
Lehman Brothers Holdings Inc.	0	132	133	212	(79)	(0)	18	(111)	15
Lehman Brothers Special Financing Inc.	-	8	8	8	-	-	1	(2)	-
Lehman Commercial Paper Inc.	-	476	476	598	(122)	(0)	23	(196)	51
Subtotal Debtors	0	617	617	818	(201)	(0)	42	(309)	66
Debtor-Controlled	0	367	367	383	(16)	0	35	(52)	0
Total Loans and Residential Real Estate	0	984	984	1,201	(217)	(0)	77	(360)	66
Private Equity / Principal Investments (PEPI)									
Debtors:									
Lehman Brothers Holdings Inc.	-	49	49	131	(82)	-	(2)	(80)	0
Lehman Commercial Paper Inc.	-	128	128	139	(11)	2	(10)	(3)	-
Subtotal Debtors	-	177	177	270	(93)	2	(12)	(84)	0
Debtor-Controlled	275	1,828	2,103	2,233	(130)	1	147	(279)	1
Total Private Equity / Principal Investments	275	2,005	2,280	2,504	(223)	3	135	(363)	1
Derivative Receivables and Related Assets (Derivatives)									
Debtors:									
Lehman Brothers Special Financing Inc.	10	1,296	1,307	1,500	(193)	-	297	(491)	-
Lehman Brothers Commodity Services Inc.	-	17	17	19	(2)	-	1	(4)	-
Lehman Brothers OTC Derivatives Inc.	-	122	122	130	(8)	-	42	(50)	-
Lehman Brothers Commercial Corp.	-	7	7	6	1	-	3	(1)	-
Other Debtors	-	70	70	66	4	-	4	(0)	-
Subtotal Debtors	10	1,513	1,523	1,721	(198)	-	347	(546)	-
Debtor-Controlled	-	4	4	2	2	-	1	-	-
Total Derivative Receivables and Related Assets	10	1,516	1,527	1,723	(196)	-	349	(546)	-
Totals	\$ 286	\$ 9,049	\$ 9,335	\$ 10,616	\$ (1,279)	\$ 3	\$ 474	\$ (1,846)	\$ 86

Notes:

All values that are exactly zero are shown as "--". Values between zero and \$500,000 appear as "0". Refer to the accompanying Notes to the Balance Sheets for further discussion.

(1) This schedule reflects inventory activity between the June 30, 2013 and September 30, 2013 Balance Sheets.

(2) Encumbered assets include: (i) \$275 million in PEPI encumbered to LCPI; and (ii) \$10 million in Derivatives encumbered to collateralized lenders.

(3) Cash disbursements include approximately \$13 million in Loans and RESI related to accruals for loans servicing advances that are recorded in "Payables to Controlled Affiliates and other liabilities". Cash receipts and disbursements in Derivatives include collections on open and terminated trades, net of purchases of SPV notes and hedging activities. (Amounts may differ from previously filed Schedule of Cash Receipts and Disbursements mainly due to unsettled transactions and timing and classification differences.)

(4) CRE, other than the REIT Shares, was valued as of June 30, 2013 adjusted for cash activity from July 1, 2013 to September 30, 2013. Amounts reflected in the "Fair Value / Recovery Value Change" column represent adjustments for the Company's judgment as to fair value/recovery value and include the changes in valuation on assets encumbered to another legal entity which has the economic interest.

Commercial Real Estate - by Product Type ⁽¹⁾

As of September 30, 2013

(Unaudited)

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\$ in millions	Lehman Brothers Holdings Inc.	Lehman Commercial Paper Inc.	Other Debtor Entities	Total Debtor Entities	SASCO 2008 C-2 LLC	Property Asset Management Inc.	PAMI Holdings LLC	Other Debtor- Controlled Entities ⁽³⁾	Total LBHI Controlled Entities	Cost and Unpaid Principal Balances ⁽⁴⁾
Commercial Real Estate										
North America										
Whole loans										
Senior	\$ 1	\$ 155	\$ -	\$ 156	\$ -	\$ 3	\$ 7	\$ 25	\$ 190	\$ 338
B-notes/Mezzanine	3	288	-	291	-	-	-	3	293	527
Equity ⁽²⁾	-	384	362	746	-	245	188	1,123	2,303	4,782
Real Estate Owned	1	335	-	337	175	304	281	119	1,215	3,464
Other	44	6	-	51	-	6	-	11	67	143
Subtotal	50	1,169	362	1,581	175	558	476	1,280	4,069	9,254
Europe										
Whole loans										
Senior	-	15	-	15	-	-	-	-	15	45
B-notes/Mezzanine	75	148	-	223	-	-	-	-	223	382
Equity	-	37	-	37	-	-	-	168	205	498
Other	13	-	-	13	-	-	-	-	13	2
Subtotal	88	200	-	287	-	-	-	168	455	927
Asia										
Whole loans										
Senior	-	-	-	-	-	-	-	12	12	52
Equity	-	-	-	-	-	-	-	8	8	23
Other	-	-	-	-	-	-	-	0	0	-
Subtotal	-	-	-	-	-	-	-	20	20	75
Total Commercial Real Estate	\$ 137	\$ 1,369	\$ 362	\$ 1,868	\$ 175	\$ 558	\$ 476	\$ 1,468	\$ 4,544	\$ 10,256

Notes:

(1) Refer to the accompanying Notes to the Balance Sheets for further discussion on valuation and additional disclosures.

(2) Includes the REIT Shares investment.

(3) Primarily includes the Archstone acquisition entities.

(4) Cost information primarily includes: (i) for whole loans and corporate loans, the remaining outstanding principal balance; (ii) for equity, the total acquisition amount net of distributions deemed return of capital; (iii) for REO, the cost/unpaid principal balance as determined in (i) or (ii) as of the date of ownership of the property plus or minus principal balance changes subsequent to ownership. There are 28 portfolio investments recorded at zero fair value with a cost/ unpaid principal balance of approximately \$287 million that are not included in the schedule above.

Commercial Real Estate - By Property Type And Region ⁽¹⁾

As of September 30, 2013

(Unaudited)

\$ in millions	North America	Europe	Asia	Total	Cost and Unpaid Principal Balances ⁽³⁾
Commercial Real Estate					
Senior Whole Loans					
Office/Industrial	\$ 60	\$ -	\$ -	\$ 60	\$ 90
Hotel	43	-	-	43	49
Retail	-	9	11	20	69
Condominium	0	6	-	6	29
Land/Other	87	-	-	87	200
Total Senior Whole Loans by Type	190	15	11	216	435
B-Note/Mezz Whole Loans					
Office/Industrial	269	126	-	395	675
Hotel	1	98	-	99	138
Multi-family	7	-	-	7	9
Retail	6	-	-	6	18
Condominium	6	-	-	6	65
Land/Other	4	-	-	4	3
Total B-Notes/Mezz Whole Loans by Type	293	223	-	517	909
Equity					
Office/Industrial	123	118	-	241	431
Hotel	64	54	5	124	262
Multi-family ⁽²⁾	1,910	-	-	1,910	3,911
Retail	2	-	2	5	4
Mixed-use	-	32	-	32	69
Condominium	88	-	-	88	241
Land/Other	115	-	1	117	385
Total Equity by Type	2,303	205	9	2,516	5,303
Real Estate Owned					
Office/Industrial	228	-	-	228	380
Hotel	361	-	-	361	487
Multi-family	68	-	-	68	170
Condominium	20	-	-	20	207
Land/Other	539	-	-	539	2,220
Total Real Estate Owned by Type	1,215	-	-	1,215	3,464
Other	67	13	-	80	145
Total Commercial Real Estate	\$ 4,069	\$ 455	\$ 20	\$ 4,544	\$ 10,256

Notes:

(1) Refer to the accompanying Notes to the Balance Sheets for further discussion on valuation and additional disclosures.

(2) Includes the REIT Shares investment.

(3) Cost information primarily includes: (i) for whole loans and corporate loans, the remaining outstanding principal balance; (ii) for equity, the total acquisition amount net of distributions deemed return of capital; (iii) for REO, the cost/unpaid principal balance as determined in (i) or (ii) as of the date of ownership of the property plus or minus principal balance changes subsequent to ownership. There are 28 portfolio investments recorded at zero fair value with a cost/ unpaid principal balance of approximately \$287 million that are not included in the schedule above.

LEHMAN BROTHERS HOLDINGS INC. and Other Debtors and Debtor-Controlled Entities⁽¹⁾
Loan Portfolio by Maturity Date and Residential Real Estate

As of September 30, 2013

(Unaudited)

\$ in millions

Maturity Date by Year	Debtor Entities				Total LBHI-Controlled Entities
	Lehman Brothers Holdings Inc.	Lehman Brothers Special Financing Inc.	Lehman Commercial Paper Inc.	Debtor - Controlled Entities	
	Notional ⁽²⁾				
2013	\$ 6	\$ -	\$ 4	\$ -	\$ 11
2014	-	-	67	102	169
2015	6	-	248	189	443
2016 and over ⁽⁴⁾	14	-	355	0	369
Subtotal Loans	26	-	675	291	992
Residential Real Estate ⁽⁵⁾	2	-	131	112	245
Total Loans and Residential Real Estate	\$ 28	\$ -	\$ 806	\$ 403	\$ 1,237
	Fair Value ⁽³⁾				
2013	\$ -	\$ -	\$ (0)	\$ -	\$ (0)
2014	-	-	64	100	163
2015	6	-	210	186	402
2016 and over	42	-	105	0	147
Subtotal Loans	48	-	379	286	713
Equity positions - Loans	28	8	82	1	118
Residential Real Estate	57	-	15	81	153
Total Loans and Residential Real Estate	\$ 133	\$ 8	\$ 476	\$ 367	\$ 984

Notes:

- (1) This schedule reflects loans and residential real estate assets that are included on the Balance Sheets. Refer to the accompanying Notes to the Balance Sheets for further discussion on valuation and additional disclosures.
- (2) Represents the remaining outstanding principal balance on only Loans by stated maturity dates.
- (3) Fair value balances as of September 30, 2013 include discount amounts on unfunded commitments.
- (4) Cost information related to Subrogated Collateral transferred to LBHI under the LBI Settlement is reflected as zero.
- (5) Cost information primarily represents: (i) for whole loans and warehouse lines (FV \$5 million / Cost \$108 million), the remaining outstanding principal balance; (ii) for REO (FV \$1 million / Cost \$3 million), the unpaid principal balance as determined in the loan as of the date of ownership of the property plus or minus principal balance changes subsequent to ownership; (iii) for mortgage backed securities ("MBS") (FV \$90 million / Cost \$134 million), the initial Class Principal amount or \$100. MBS consists of Excess Spread, Residual, Interest-Only and Subordinated tranches. Cost information for MBS with a fair market value < \$100, legal claims and mortgage servicing rights is not included.

Private Equity / Principal Investments by Legal Entity and Product Type

As of September 30, 2013

(Unaudited)

\$ in millions	Direct Investments ⁽³⁾	GP/LP Investments ⁽⁴⁾	Total ⁽¹⁾	Assets held for the benefit of LCPI ⁽⁶⁾	Total per Balance Sheets
By Legal Entity					
Debtors:					
Lehman Brothers Holdings Inc.	\$ 39	\$ 10	\$ 49	\$ -	\$ 49
Lehman Commercial Paper Inc.	403	-	403	(275)	128
Total Debtors	442	10	452	(275)	177
Debtor-Controlled:					
LB I Group Inc. ⁽²⁾	479	663	1,142	275	1,417
Other Debtor-Controlled	83	603	685	-	685
Total Debtor-Controlled	562	1,266	1,828	275	2,103
Total	\$ 1,004	\$ 1,276	\$ 2,280	\$ -	\$ 2,280
By Product Type					
Private Equity / Diversified Funds	\$ 868	\$ 815	\$ 1,683		
Fixed Income	130	113	243		
Real Estate Funds	-	239	239		
Other ⁽⁵⁾	6	110	116		
Total	\$ 1,004	\$ 1,276	\$ 2,280		
Investments at cost ⁽⁷⁾	\$ 1,578	\$ 1,811	\$ 3,389		
Unpaid Principal Balances ⁽⁸⁾	\$ 268	\$ 8	\$ 276		

Notes:

- (1) The amounts include the unencumbered assets held by a legal entity and the economic interests in the assets held by another legal entity. Refer to the accompanying Notes to the Balance Sheets for further discussion on valuation and additional disclosures.
- (2) LB I Group Inc. (read LB "one" Group Inc.) is a major Debtor-Controlled entity. LB I Group Inc. is presented on a consolidated basis.
- (3) Direct Investments (Private Equity / Diversified Funds) includes the common equity interests in NBG.
- (4) Represents Limited Partner ("LP") interests in investment funds and General Partner ("GP") ownership interests in Fund Sponsors.
- (5) "Other" includes foreign and domestic publicly traded equities, mutual funds and other principal or private equity investments.
- (6) "Assets held for the benefit of LCPI" represents a reconciliation of the assets encumbered from LB I Group to LCPI.
- (7) Cost information primarily includes: (i) for direct equity investments and hedge funds, the total amount funded net of distributions deemed return of capital; (ii) for partnership interests with no redemptions, the original amount funded; (iii) for partnership interests with redemptions or distributions, the ratio of cost to fair value for the underlying portfolio assets applied to the Net Asset Value for the Company's positions; (iv) value for assets that have been recorded at de minimis fair value amounts, and (v) for NBG, the restructured value of the common equity at April 30, 2009, reduced by NBG's purchases of common equity and other receipts.
- (8) Represents the remaining outstanding principal balance on corporate loans.

LEHMAN BROTHERS HOLDINGS INC. and Other Debtors

Derivatives Assets and Liabilities⁽¹⁾

As of September 30, 2013

(Unaudited)

\$ in millions	Lehman Brothers Holdings Inc.	LB 745 LLC	Lehman Brothers Special Financing Inc.	Lehman Brothers Commodity Services Inc.	Lehman Brothers OTC Derivatives Inc.	Lehman Brothers Commercial Corporation	Lehman Commercial Paper Inc.	Lehman Brothers Financial Products Inc.	Lehman Brothers Derivative Products Inc.	Merit LLC	Total Debtors
Assets - Receivables, Net											
Open (\$)	\$ -	\$ -	\$ 149	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 149
Terminated / Matured (\$)	-	-	863	17	84	7	-	7	-	-	978
Total	-	-	1,012	17	84	7	-	7	-	-	1,127
Other Derivative Related Assets ⁽²⁾	-	-	295	-	38	-	-	-	-	63	396
Total Derivatives and Related Assets	\$ -	\$ -	\$ 1,307	\$ 17	\$ 122	\$ 7	\$ -	\$ 7	\$ -	\$ 63	\$ 1,523
# of Counterparty contracts											
Open	-	-	113	-	-	-	-	-	-	-	113
Termed / Matured	-	-	376	17	13	20	2	29	4	-	461
Total	-	-	489	17	13	20	2	29	4	-	574
SPV Receivables ⁽⁵⁾	\$ -	\$ -	\$ 722	\$ -	\$ -	\$ -	\$ -	\$ 5	\$ -	\$ -	\$ 727
Liabilities - Payables											
Agreed ⁽³⁾	\$ (19)	\$ -	\$ (18,871)	\$ (1,308)	\$ (484)	\$ (337)	\$ (39)	\$ (57)	\$ (77)	\$ -	\$ (21,193)
Pending Resolution ⁽⁴⁾	(2)	(2)	(4,446)	(96)	(51)	(149)	(30)	(0)	(2)	-	(4,779)
Total	<u>\$ (22)</u>	<u>\$ (2)</u>	<u>\$ (23,317)</u>	<u>\$ (1,404)</u>	<u>\$ (535)</u>	<u>\$ (485)</u>	<u>\$ (69)</u>	<u>\$ (58)</u>	<u>\$ (79)</u>	<u>\$ -</u>	<u>\$ (25,972)</u>
# of Counterparty contracts	1	1	1,757	186	106	139	2	10	43	-	2,245

Notes:

(1) Refer to the accompanying Notes to the Balance Sheets for further discussion regarding derivative amounts recorded. Derivatives liabilities are presented prior to distributions on allowed claims.

(2) Amounts primarily include notes in various special purpose vehicles, deposits with various brokers for OTC hedges, debt and equity positions in various corporations, a PIK Note, bankruptcy claims, and notes issued by a Debtor and a Non-Controlled Affiliate.

(3) Agreed is defined as claims that are recorded at values agreed upon with counterparties and classified as allowed or accepted as filed.

(4) Pending Resolution are recorded at expected claim amounts estimated by the Company.

(5) Represents the portion of derivatives receivables resulting from transactions with counterparties deemed as special purpose vehicles including receivables from entities that structurally subordinate the rights of the Debtor.

LEHMAN BROTHERS HOLDINGS INC. and Other Debtors and Debtor-Controlled EntitiesUnfunded Lending and Private Equity / Principal Investments Commitments⁽¹⁾

As of November 30, 2013

(Unaudited)

	Debtor Entities			Debtor-Controlled Entities	Total LBHI Controlled Entities
	Lehman Brothers Holdings Inc.	Lehman Commercial Paper Inc.	Total Debtor Entities		
\$ in millions					
Real Estate					
Commercial	\$ -	\$ -	\$ -	\$ 6	\$ 6
Loans	-	10	10	-	10
Private Equity / Principal Investments					
Private Equity Platform	-	-	-	267	267
Direct Investments	-	-	-	1	1
GP / LP Investments	1	-	1	53	54
Total	1	-	1	321	322
Total	<u>\$ 1</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 327</u>	<u>\$ 337</u>

Notes:

- (1) The schedule includes fully and partially unfunded commitments as of November 30, 2013, under corporate loan agreements and real estate and private equity partnerships made by the Company prior to the Chapter 11 cases.